THE FREEMAN

IDEAS ON LIBERTY

Raoul Wallenberg, Great Angel of Rescue

Home, Home on the Internet

Why Not Slavery?

SimEconomics

NOVEMBER 1996

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Required reading for all who have misgivings about today's fiat money:

Economics of a Pure Gold Standard

by Mark Skousen

"The excellence of the gold standard is to be seen in the fact that it renders the determination of the monetary unit's purchasing power independent of the policies of governments and political parties."

—**Ludwig von Mises,** ***The Theory of Money and Credit***

Gold was once dismissed as a "barbarous relic." Now, as uneasiness about the stability of paper money grows, so does interest in the yellow metal. Some central bankers have even confessed to monitoring the free-market price of gold and using it as a barometer of economic stability. There is also evidence that many of these bankers use the price of gold to set monetary policy.

In the new third edition of **Economics of a Pure Gold Standard**, world-renowned economist and author Mark Skousen explains why gold is honest money and how a return to gold may reestablish economic stability. Skousen not only makes the case for gold, but also examines the pros and cons of other monetary standards.

Professor Skousen is editor of *Forecasts & Strategies*, now one of the largest investment/economics newsletters in the United States. He teaches economics and finance at Rollins College, Winter Park, Florida, and is the author of sundry books including: *The Structure of Production*, *Mark Skousen's Thirty-Day Plan to Financial Independence*, *Economics on Trial*, and *Scrooge Investing*.

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PERSPECTIVE

We Should Welcome Immigrant Workers

The people who are daily landing here are not paupers, if the capacity and disposition to labour may exempt a man from that appellation. They are, for the most part, the sons and daughters of useful toil. They are men and women of hardy frames, accustomed to earn their living by the sweat of their brows. They are a class of which, in truth, we stand much in need. . . .

These men are not paupers, and if they become so, it is the fault of our own laws. Let us not lay our sins, then, at their doors. We have perfect control over the matter. We are not obliged to open our poor-houses to those who are able to work; and, indeed, we believe it would be far better for the community, if we did not open them to any class of indigence or misfortune. The care of those really disqualified by nature or accident from taking care of themselves should be left to voluntary charity, not to that wretched system of compulsory charity which poor-laws enjoin. We are too reluctant, in this country, to trust the voluntary principle. We are for doing everything by law; and the consequence is that hardly anything is done well.

But with regard to these poor creatures who are flocking to our country as the boasted asylum of the oppressed of all the world, we ought to welcome them hither, not meet them with scowls, and raise a deafening clamour to excite unkindly prejudices against them, and drive them back from our inhospitable shores. For our part, we open our arms to them, and embrace them as brothers; for are they not a part of the great family of man? It is a violation of the plainest principles of morals, it is a sin against the most universal precepts of religion, to harden our hearts against these men, and seek to expel them from a land, which they have as much right to tread as we who assume such a lofty port. The earth is the heritage of man, and these are a portion of the heritors. We are not bound to support them; they must support themselves. If they are idle, let them starve; if they are vicious, let them be punished; but,

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in God's name, as they bear God's image, let us not turn them away from a portion of that earth, which was given by its maker to all mankind, with no natural marks to designate the limits beyond which they may not freely pass.

The glorious principles of democracy, which recognize the equal rights of all who bear the human form, forbid the intolerant spirit which is displaying itself to these friendless, homeless exiles.

—WILLIAM LEGGETT (1837)
Democratick Editorials

Opting Out

Libertarians ... tend to concentrate on, "How can we change society in directions that increase human options and increase freedom, on a more global scale?" I'm increasingly coming to the conclusion that, at least within a reasonable amount of time, that isn't the way to go about it. We can't reform society. You're not going to get the government to go away, or get smaller, by making the government get smaller; you're going to make the government go away or get smaller by ignoring it, which is essentially the Soviet model. The state withered away when no one paid any further attention to it.

—DAVE ROSS
(Excerpt from an interview in *Extropy #12*, 1994)

Capitalism for Punk Rockers

Capitalism, when we get down to it, is merely the buying and selling of goods and services with the *freedom* to make a *profit* by doing so. Simple as that. Every one of us, like it or not, plays a part in the game. Most folks spend their time as a consumer and seller (i.e., selling your labor to an employer for financial gain). Very few people, in the grand scope of things, ever fill the shoes of *producer*. This is where most misconceptions of true capitalism come into play.

... If [I] were to adhere to the beliefs of your average anarcho-punk or any other of the multitude of folks that believe punk records should be put out as a public service, then I couldn't endorse one single record reviewed in the back of this 'zine. Why? Because every single person who put those records out hopes to make a profit from it. If you don't understand that, then you have never produced a record and tried to sell it.

... Why do people start to express disdain for [record] labels that start to do well financially? Do they "owe" the punk scene anything? Should they "give something back"? No, because they've already given something ... RECORDS. That is the job of a record label, to produce records.

Keep in mind that I am in no way running [down] folks ... who feel the need and responsibility to donate all their time to their projects for free. That is *their* choice. But if someone chooses to try to earn a living from something they create, that is their choice also. One of the biggest problems the punk scene has is people trying to live by someone else's rules.

In order for any capitalist venture to survive, people must consume what is produced. If there are no consumers, there is no capitalism. In short, question yourself on your buying. If you think a record (or anything) is priced too high, don't worry yourself to death questioning what you don't know, just don't buy it. If a show costs more than you think it's worth, don't go. The consumer determines the value of anything (in a monetary sense). Folks cannot charge what nobody is willing to pay. Use your power.... [M]ost folks continue to complain about prices, etc., but buy them anyway. Just stop it.

Don't let anyone tell you that you are powerless. Communism makes you powerless, in that no matter how hard you work, you will never rise above the status of anyone else. True capitalism makes that possible from the onset by granting consumer power.

—J. GORDON LAMB III
(Writing in his self-published punk-rock fanzine *The Atomic Ballroom*, Athens, Ga.)

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SimEconomics

by Lawrence H. White

My daughter, at 13, has built a railroad across Europe. She has planned and governed a large metropolitan area. Recently she began a successful farm. Oh, and she's conquered the world. She has done it all at our home computer—sometimes while I was waiting for *my* turn to play.

Welcome to the world of personal computer simulation games, an important segment of the PC software market. The games are fun. They're involving. They can be *so* involving, in fact, that players can find themselves spending many hours at the computer and taking the games very seriously. In some ways the games are quite educational. But some simulation games, implicitly, embody an economic point of view that is *mis*educational—even dangerous—when it is taken seriously. Namely, they suggest that an entire society can or even must be planned from the top down by a clever strategist.

Three games—all members of *Computer Gaming World*'s Hall of Fame—have been our favorites in the past few years. In *SimCity* your objective is to plan a thriving city in detail. *Civilization* puts you in charge of founding and guiding an entire nation of cities from ancient to modern times. In *Railroad Tycoon* you build a rail network and schedule trains in pursuit of profit.

Dr. White, this month's guest editor, is associate professor of economics at the University of Georgia. The second edition of his book Free Banking in Britain *was published by the Institute of Economic Affairs last year.*

SimCity

SimCity, created by programmer Will Wright and introduced by his Maxis software company in 1989, was the first of the best-selling simulation games. The game has won many awards, and Maxis has cashed in on its popularity with numerous other simulations, including *SimFarm* (which simulates a farming enterprise), *SimLife* (Darwinian evolution), *SimIsle* (island ecology), and *SimAnt* (an ant colony). Two years ago the company upgraded the original game to run on newer, more powerful PCs, especially improving the graphics, and reintroduced it as *SimCity 2000.*

In some ways *SimCity* is more of a virtual hobby kit than a game. There's no rival player to beat or set objective to achieve. Rather, you decide where to zone a wilderness for commercial, residential, or industrial development. You decide where to lay down transportation, water, and power grids, and where to locate airports and police and fire stations. You set the property tax rate. You then watch how your city develops in response to your decisions. If conditions are good, lots of simulated citizens ("Sims") move in. Houses, stores, and factories appear and grow denser. As your tax revenue allows, you can extend or revise the infrastructure. Good decisions—as indicated by high Sim incomes with low unemployment, crime, and pollution—give you a high "popularity" rating as "mayor."

As much fun as it is to play around with

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SimCity, the simulation rests on some troubling premises. Not only is clever zoning (and its coordination with mass transit) the key to the simulated city's success, but without zoning there would be *zero* development. The Sims won't *ever* build houses, stores, or factories without a zoning go-ahead. The city *must* be planned. Of course, this feature of the program is practically necessary in order to give the player something to do (other than watch the simulation run itself). But a teenager who grew up playing *SimCity* or *SimCity 2000* might not realize that top-down zoning is not a necessary feature *of the real world,* let alone a good idea. Real-world cities like Houston have developed well without zoning. In areas of an unzoned city where landowners want to have not-too-dissimilar neighbors, decentralized developers can and have incorporated contractual covenants into land titles to ensure the character of residential subdivisions or shopping districts or industrial parks.

I've tried to suppress my ideological misgivings about *SimCity* by thinking of my plaything as a *proprietary* city, where every Sim who moves in has signed a contract delegating zoning and other decisions to me, the city owner. But the game doesn't quite allow that interpretation. Unfortunately a player (or at least a player like me, not a skilled "hacker") can't edit the screen text so that the Sims are paying "dues" or "rents" rather than "taxes," or alter the scoring so that success is rated on real estate profits rather than on "popularity" as "mayor." (As the game stands, absence of low-rent housing actually counts *against* your success rating.) And the simulated city, with a population easily reaching tens of thousands, is simply too big to be realistically owned by a single decision-maker. In real life, proprietary or contractually planned communities are generally much smaller than that, seldom larger than a village. This is mostly because tastes differ. Profit-seeking developers find that only a limited number of people are willing to pay cost-covering prices for a specific set of community features (like a golf course, a lake, and one-acre lots) in a given location.

Civilization

The notion that one mind can see and wisely plan everything for a society—an intellectual error that F. A. Hayek has called "the fatal conceit" and others have called "the synoptic delusion"—is troubling enough when the society operates at the scale of a city. In Sid Meier's *Civilization,* published by MicroProse, the conceit is magnified to empire scale. As civilization-builder you decide where to found cities, where to irrigate and build roads around them, what tax rate to impose, what city improvements and "wonders of the world" to build, how heavily to invest in research (needed to make scientific and cultural discoveries from the wheel to women's suffrage), which discoveries to pursue first, and most importantly whether to expand the civilization by economic growth or by conquering neighboring civilizations (which are governed by the computer).

I don't mean to be an ideological spoilsport about this. I love playing *Civilization.* So does my daughter, who has recently begun lobbying me to upgrade or replace our current computer so that we can run the more sophisticated new *Civilization II.* But players of the game should not forget that the advance or stagnation of an *actual* civilization does not entirely depend on the allocational skill of the head of state. In fact, the *less* the head of a real-world state has to allocate, the greater the country's progress will be.

It is surprisingly easy to be seduced by the synoptic delusion built into the game. In an Internet discussion group, one correspondent suggested that *Civilization* teaches us that in the real world we should only elect experienced rulers, because we as game-players all find that our scores improve with experience. But that is because, as in *SimCity,* hands-on management is necessary for the simulated society to thrive. Complete laissez faire is not even an option, much less the highest payoff option. *Civilization*'s cities will not found themselves, will not decide what improvements to build or technological advances to make, and will not establish trade with other cities by themselves. A player soon finds that the easiest way to garner a high score (which

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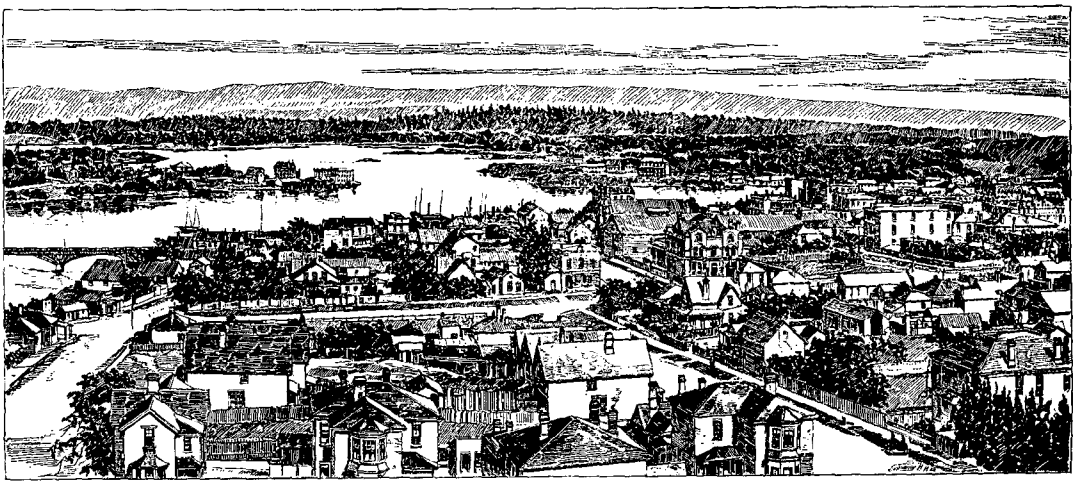
depends mostly on population size) is not by peaceful trade and growth, but by aggressive military conquest, for which a single-minded strategic plan is essential. Again, all this is understandable from the point of view of giving the player something interesting to do throughout the game. But it's not the way the real world works, where trading and not war-making nations prosper. *(Civilization II,* so I have read, at least strikes a better balance between conquest and trade.)

Railroad Tycoon

My favorite game of the three is *Railroad Tycoon,* also authored by Sid Meier and sold by MicroProse, no doubt partly because no economic or ideological misgivings intrude. A railroad network, as shown by real-world experience with private rail companies, is something that *can* successfully be run according to a single planner's decisions. In the game, as in the real world, that planner is an entrepreneur who decides which cities and industrial sites to serve, where and when to lay the track between them, which engines and cars to buy, and how to schedule trains. Profit is the "scoring" or feedback guide for when a decision is successful or unsuccessful.

With maximum profit—or, as in the game, maximum net worth of the firm—as the goal, market prices indispensably guide the decision-making. The game forces you to consider the prices of track, bridges, and various parcels of right-of-way (the land parcel prices even vary with changing phases of an irregular business cycle). You confront prices of buying and maintaining various engines. There is an interest rate, varying with the firm's indebtedness and the business cycle, at which funds can be borrowed to finance the firm's investments. And there are of course passenger and cargo revenues for various routes (known only after the fact, because they vary with cargo, load size, business cycle phase, distance, and realized speed).

Railroad Tycoon does not capture the real-world way in which prices are brought into equilibrium by competition ("rate wars" can arise in the game's "cutthroat competition" mode, but their simulation is disappointingly crude). Nor does it hint at the way in which the profit motive operating within the price system guides the overall economy to the prosperous coordination of plans. But that's okay. A successful real-world economy doesn't need entrepreneurs to comprehend those system-wide processes, only to seek out profits. In contrast to the other simulation games, *Railroad Tycoon* puts the strategic decision-maker in a reasonable place, at the head of a single firm in a competitive marketplace rather than at the head of a whole society. It does not obscure the fact that the overall coordination of a complex real-world society does not and *cannot* rely on a single clever plan, but instead requires an impersonal market system for bringing into alignment the multitude of individual plans. □



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Salvation Through the Internet?

by Donald J. Boudreaux

Ours is a wonderful age. Strangers voluntarily communicate around the clock on a worldwide network. News of an event, an idea, or an opportunity in any part of the world is conveyed rapidly hither and yon. Production and consumption opportunities that would otherwise remain unexploited lie within the grasp of almost anyone on earth. Global competition and cooperation intensify and wealth increases. Marvelously, the cost of using this communication system is near zero.

This communications network is centuries old. It is the price system. If not as novel as the electronic Internet, free-market pricing is far more agile, accurate, and effective at sending crucial messages to all who want them.

The Japanese want more houses? No problem. Japanese homebuilders order more lumber. Lumber inventories in Japan fall, pushing lumber prices in Japan higher. Japanese boat builders are persuaded to use less wood and more fiberglass or aluminum. The price system is the network over which some Japanese inform other Japanese that the value of using lumber to build homes has risen.

The price system also speeds messages beyond national borders. Japanese importers respond to higher lumber prices by ordering more lumber from America. Americans export more lumber to Japan. The world price of lumber rises, telling lumber firms everywhere to increase production—and telling consumers everywhere to economize on lumber use.

Without the swift and sure communication of economic information supplied by the price system, every industrial economy would collapse. But while the price system labors in relative obscurity—so effectively does it do its job—the Internet has inspired bounteous and often utopian speculations about how this high-tech marvel will transform democracy and worldwide cooperation. *The Economist* recently opined that representative democracy will be substantially improved (if not fully replaced) by direct collective decision-making made possible by the Internet.

The Advantages of the Market

Despite such effusive praise, the Internet is bumbling in comparison with the market. However spectacular its mode, verbal communication can never govern people and allocate resources as effectively as does the price system. (Intellectuals dispute this claim because they are word merchants. Intellectuals have incentives to magnify the importance of anything that promises to increase their own influence.) The market enjoys two significant advantages over the Internet.

First, messages sent over the Internet must be interpreted. Recipients must understand the context of the sender's remarks, as well as any special meanings that the sender attaches to particular words or phrases. Though often effective, attempts at verbal communication among large numbers of people can too easily misfire. As evidence, notice how easily de-

Dr. Boudreaux is associate professor of law and economics at Clemson University, Clemson, South Carolina.

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signers of opinion polls elicit diametrically different responses with only small changes in the wording of questions.

Price signals, in contrast, are more easily interpreted than words. Japanese boat builders see the price of lumber rise 10 percent relative to the price of fiberglass. The meaning of this price rise is clear: it pays to use less lumber and more fiberglass.

Second, market signals are much more trustworthy than opinions sent over the Internet. The market punishes lying as well as uninformed expressions of opinion. If share prices of lumber companies rise, you can bet that someone is genuinely optimistic about the lumber industry's future. For me to issue an opinion through the price system about this industry's prospects requires that I spend my own money either buying or selling shares in corporations whose business is lumber. If I lie or am rash in formulating my opinion, I will likely lose money. People risking their own wealth in the market can be trusted to make the most informed decisions, thereby sending out accurate market messages to others.

Not so on the Internet. Imagine if lumber production were decided by a nationwide "town meeting" over the Internet. Not only would no single message or vote delivered in this debate likely be decisive, but few participants would have a direct and personal stake in the outcome. Thus, few participants would bear personal costs from expressing one opinion rather than another. Environmentalists would exaggerate the ill effects of lumbering, lumberjacks would exaggerate the ill effects of conservation, and masses of other people with nothing at stake and knowing precious little about this issue would solemnly come down on one side or the other. With the personal consequences of expressing opinions virtually nonexistent, plenty of uninformed opinions and votes would flood the Internet.

As a forum for conversation, the Internet is dazzling. As a forum for making collective decisions, it is a formula for disaster. Happily, free markets remain available to elicit informed opinions from nearly everyone worldwide, distilling this information into easily understood prices for the entire world to read. □

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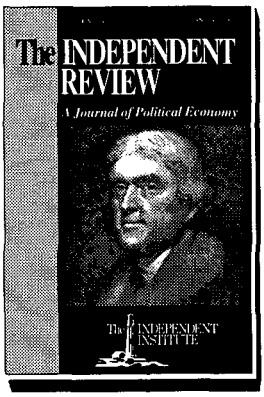

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Home, Home on the Internet

by Thomas Boustead

Sometimes, all you really need is a better fence. While that advice seems sensible for an 1880s cattle rancher, it might appear less relevant to a pioneer on a novel frontier like today's Internet. After all, straying cattle hardly compare to the data so cleverly routed over the Internet. And rusting barbed wire scarcely resembles modern fiber optics. Still, barriers and fences, even if composed of algorithms rather than steel strands or wooden rails, have a part to play in the evolution of the Internet—a role based in the economic nature of the Internet and the often subtle relationship between well defined private property and economic activity.

The Internet's potential for a commerce in information has generated much excitement. If all goes right, the Internet will be a marvelous marketplace. But will all go right? Accustomed as we are to well functioning markets, we're tempted to presume success for the Internet. Yet market exchange doesn't just happen. To bring a product to market, sellers need the protection granted by property rights.

Simply stated, a property right is an owner's freedom to use, improve, or deal in his or her property with only such interference as the law allows. The protection of property rights permits owners to invest their time and capital in productive activities. Without property rights, markets become precarious: the incentives to create products stifled by free ridership or throttled by theft. Here then is the quandary for the Internet: how to define and protect property in an elusive commodity like information? A little history lesson might help.

Dr. Boustead, who recently received his doctorate in economics, is interested in law and economics.

Fencing the Open Range

The trade in elusive commodities predates the Internet. For example, nineteenth-century ranchers in the open-range areas of the American West faced the problem of wandering cattle.[1] Initially, this problem was minimal: the sheer abundance of open rangeland prevented overgrazing or the intermingling of herds. But with time, herds grew and ranchers confronted the need to insure adequate pasturage and to prevent theft or unwanted interbreeding of their stock. Their solution involved the creation of systems for protecting their property.

These protective systems focused not only on legal sanctions but also on alternatives to law, such as the restraints of custom and the technology of self-protection. Initially, rights to certain rangeland could be asserted by notice to others. While not supported in law, these range rights garnered an amount of respect through the force of local custom. Eventually, as herds increased, rights to rangelands were formalized by statute, in part because cattleman associations effectively supported such legislation.[2] In effect, the larger herds had increased the value of property rights while the growth of cooperative associations had lessened the cost of resorting to legal institutions.

As so often happens, legislation didn't

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completely solve the problem. Most of the cattle failed to read the law, and continued to stray. Not satisfied, the ranchers turned to improved methods of self-protecting their property. Now if cattle can't understand laws, they do understand fences. Ranchers also understand fences, and more to the point, they understand the economics of fences.

On the prairies, where the scarcity of trees makes wooden rails expensive, traditional rail fences made little sense. Ranchers needed an alternative, and the appreciation in herd values provided an incentive to seek out new and improved materials. Technology provided an assist as the development of cheap barbed wire offered a cost-effective means of enclosing cattle.[3] With it, ranchers were able to control and protect their property.

Updating Intellectual Property Law, a Little

The lessons of fencing the range live on in such unexpected places as a recent government report, *Intellectual Property and the National Information Infrastructure* ("the report").[4] While it focuses on how to modify intellectual property laws for the developing "Information Superhighway," the report also highlights the continuing vitality of diverse systems for the protection of property.

The term "Information Superhighway" conjures up images of some vast, electronic freeway. But a better metaphor for this electronic information infrastructure would be a marketplace for the exchange of information. Here, some buyers shop for works of art, music, literature, or multimedia. Others purchase electronic newspapers, scholarly works, databases, and software as inputs into their own production. In all of these diverse forms, information is just a product: constructed, owned, sold, and bought like any other. Conceived this way, systems for protecting intellectual property are as important for protecting the investments of information producers as earlier systems were for protecting the open-range ranchers of the 1880s. They are needed to provide incentives to bring the product to market.

The issue for the Internet is how to keep unauthorized copiers out rather than how to fence cattle in. This concern arises from the somewhat unusual costs involved in producing and copying information. A copier avoids the fixed costs of original production, for example, of writing a poem or compiling a database. So the copier can offer to sell copies at a price below that necessary for the producer to recoup the costs of origination. Faced with a copier able to free-ride, the producer may have little or no incentive to create information in the first place.

To create incentives, the intellectual property law of copyright grants the producer an exclusive right to reproduce the copyrighted work and to prepare derivative works based on it.[5]

Wisely, the report proposes only modest changes to current copyright laws—primarily clarifying that a digital transmission over the Internet constitutes a distribution subject to copyright. Current copyright laws have plenty of flexibility. Judges can tailor and stretch existing law as technology offers new challenges, as it will on the rapidly evolving Internet. Rather than accommodate new technology, massive new legislation might prove a hindrance. It could deprive judges of the body of precedent so necessary to a flexible interpretation of existing law.

Try as it might, however, copyright law simply cannot afford perfect protection to Internet information producers even if it wanted to. The most basic difficulty with a purely legal answer to the problem of protecting property in information on the Internet is that copyright law is not self-enforcing. For some, the law's moral force doesn't compel. Information producers themselves must detect and sanction infringing copiers. That prospect doesn't promise to be easy; it's largely compromised by advancing technology and the explosive growth of the Internet. Each day new sites populate the Internet, and the information content of existing sites changes. Despite the efforts of information providers, monitoring even a significant fraction of these sites for copyright violations can prove daunting.[6] Rational copiers will increasingly discount the law as the likelihood of legal sanction declines.

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Fencing Cyberspace

Foretelling the Internet's future would discourage almost any soothsayer. Still, some hint can be gleaned by focusing on property rights. In elusive ways, the passion to protect property can sculpt a landscape as it did when the fences appeared on the open ranges. By themselves, a few strands of wire stretched over miles and miles of rangeland would hardly seem powerful. But the force of property rights resides in the subtleties of incentives. With the fences came greater rewards from investing in cattle and so more cattle, larger towns to service the cattle ranches, and more railroads. With the fences came progress for many and change for all.

Information suppliers on today's Internet face much the same problem as cattle ranchers did in the 1880s. Legal sanction will protect their investment in creating information, but not entirely. For added protection, information suppliers will also build fences although fences of a different sort. Instead of barbed wire, the fences on the Internet will be computer codes.

Superficially, the Internet operates somewhat like the familiar telephone system. It links an information source or "server" computer to a user's computer through a system of leased telephone lines. But unlike the telephone system, a linkage on the Internet has no continuous connection. Instead, a system of protocols breaks the information into packets and ships the packets along various routes from the server to their final destination. Along the way, computers called "routers" direct the packets on their trip through cyberspace. Later the packets are reassembled into usable information.[7]

One place to build fences will be at the server level.[8] Already, familiar on-line services, such as America Online and the Microsoft Network, require user names and passwords to access their service. Access can then be limited to authorized users who pay for the information. Likewise, many individual sites on the Internet require passwords for access so as to limit access to authorized users.

Encryption technologies will also play an important role in protecting property. Through encryption of information, unauthorized interception of authorized transmissions can be prevented. Encryption technologies now under development would focus specifically on thwarting copiers. Some of these technologies would forestall unauthorized copying and downloading; other technologies would "provide hidden, digital 'watermarks' that automatically become part of a file and enable providers to identify all users."[9]

Ultimately, each information supplier will face a choice—how much to invest in digital fences? Clearly, not all suppliers will make the same investment since each faces a different profit equation. Much information will continue to be provided for free either because it represents advertising or because the producer (for example, a fan club or a university library) wishes simply to offer it. Other suppliers will build low fences or will rely on the no-trespassing signs of copyright law. For these, the commercial value of information they have available for sale will not justify large expenditures in thwarting copiers. But for some, especially those with highly valuable information, expenditures on protecting their information will be worth it. Here the digital fences will be the highest.

The future of the Internet will not be an entirely open range. There's just too much potential for creating value. People will seize that potential and then build fences to protect it. Unsightly, perhaps, but greater value from the Internet will be gained. □

1. Terry L. Anderson and Donald R. Leal, *Free Market Environmentalism* (San Francisco: Pacific Research Institute for Public Policy, 1991), pp. 26–34.
2. *Ibid.*, pp. 28–29.
3. *Ibid.*, p. 29.
4. Bruce A. Lehman, *Intellectual Property and the National Information Infrastructure*, The Report of the Working Group on Intellectual Property Rights, Information Infrastructure Task Force, Sept. 1995.
5. 17 U.S. Code Sec. 106.
6. Doreen Carvajal, "Book Publishers Worry about Threat of Internet," *New York Times*, March 18, 1996, p. 1.
7. *IPNII*, pp. 179–182.
8. *Ibid.*, pp. 183–185.
9. Robert L. Jacobson, "Internet Tools Designed to Block Unauthorized Use of Copyrighted Works," *The Chronicle of Higher Education*, March 22, 1996, p. A23.

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The Electric Car Seduction

Should government enact laws to subsidize "alternative" fuels so that people will use less gasoline? Should government mandate the use of electric cars or other vehicles that don't use gasoline at all?

Even without expert knowledge of the issues involved, anyone who values liberty will be inclined to answer both questions in the negative. Subsidies are a forcible transfer of wealth from those who have earned it to those who didn't. Likewise, mandates are edicts that carry penalties for noncompliance. Use of gasoline for transportation purposes would not seem to be the sort of offense that anyone ought to be behind bars for. Both subsidies and mandates are government's way of declaring, "We're smarter than the market, so we're going to have to force the market to change." How many times have we heard that one—and later lamented the results?

As it turns out, the skeptics are right once again. Subsidies and mandates on behalf of alternative fuels are yet another public folly, motivated perhaps by good intentions but fraught with inherent contradictions. Not only do they whittle away at personal liberty, they flout economics and science as well.

Subsidies and mandates for alternative fuels are being discussed in many state legislatures now. A law passed by Congress four years ago mandated that 75 percent of the half-million vehicles the federal government maintains be fueled by something other than gasoline by 1999; it also required state governments to start changing the composition of their own fleets to favor more alternative-fuel vehicles (AFVs).

A California law would have forced automakers to begin selling thousands of electric cars to the general public there in 1988, even though in 1995 there were fewer than 1,000 such vehicles on the road in the entire country. By 2003, electric cars were to comprise 10 percent of all cars sold in California—at least 200,000 vehicles. In the wake of withering criticism from scientists, engineers, and economists, the state has backed off somewhat, and the 10 percent mandate will now take effect in 2005. General Motors, Chrysler, and Ford, as well as the big automakers of Japan, will face fines of $5,000 for each car under the required threshold.

Electricity from batteries is one of several alternative fuels that some legislators want to force-feed the marketplace. Others include methanol, ethanol, and other alcohols, hydrogen, compressed natural gas, coal-derived liquid fuels, and liquefied petroleum gas. All of them are championed as fuels that will reduce oil imports, give the economy a boost, and cut pollution.

Skepticism is countered with a line of reasoning that goes something like this: Good intentions plus the force of law equals positive results. If the market won't do it voluntarily, something must be wrong with the market. Government says AFVs are a good thing and must order the marketplace to comply. We're

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all better off as a result of such wise intervention because governments are especially good at foreseeing both the future and the policies needed to make it better. What could possibly be wrong with this picture?

The truth is, skepticism about a product is warranted any time it takes special favors or penalties against the competition to gain acceptance for that product. The questions people need to ask are these: *If alternative fuels are all that they are cracked up to be, why do politicians have to get involved? Why can't AFVs succeed on their own?*

The case for electric cars, it turns out, is more hype than substance. They are extremely expensive—costing between $28,000 and $48,000 to make. The batteries, which start at $1,500, must be recharged for at least five hours after driving less than 150 miles. And while the cars themselves are nonpolluting, the General Accounting Office in Washington says the plants that make the power to recharge them may put more pollutants in the air than gasoline-powered vehicles.

Meanwhile, the cleaner fuels used in today's more efficient cars emit a small fraction of the pollution cars did 30 years ago. Even without any conversion to AFVs, the new cars coming off assembly lines by the end of this decade will simply not pose a pollution problem worth worrying about. Analysts at the Reason Foundation in California argue that alternative-fuel mandates would price new cars out of the reach of many Americans, who would then keep their older, more polluting cars longer.

Furthermore, according to Charles Oliver of *Investor's Business Daily*, a University of Denver chemist found that the dirtiest 10 percent of all cars produce half of all airborne emissions. Relatively inexpensive, low-tech, voluntary approaches could take care of most of that without the intrusive, high-cost problems of electric-car mandates.

The other alternative fuels in use or on the drawing boards share at least some of the same problems. They require huge subsidies to hide their real costs and make them seem affordable, or they have limited application, or they cause substantial consumer inconvenience, or they generate unintended, harmful side-effects. Time and technology may work the bugs out and make them feasible, but that process will be stymied or misdirected if the nearsighted bias of politicians overrules the marketplace.

When it comes to the government planning of the nation's technological future, we should learn from past mistakes. "Washington is no more capable of forcing industry to develop viable and environmentally-friendly technologies," says James Sheehan of the Competitive Enterprise Institute, "than it is capable of centrally planning the economy." Federal technology programs like the breeder nuclear reactor, the supercollider, and the synthetic fuels program wasted billions of dollars and produced few, if any, tangible benefits.

Patrick Bedard put it well in a December 1993 article in *Car and Driver* magazine entitled "Why Alternative Fuels Make No Sense." He stated, "The promises made for the alternatives to gasoline are very seductive. And you know how seductions turn out."

If politicians continue to micromanage the marketplace to artificially benefit alternative fuels, you may want to reach for both your wallet and your oxygen mask. □

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THE FREEMAN
IDEAS ON LIBERTY

Liberty and the Domain of Self-Interest

by Steven Horwitz

One of the most frequent charges leveled at those of us who support free-market capitalism is that our ideas are just an ideological cover for a defense of naked self-interest. By supporting the right of owners to dispose of their property as they see fit and their right to keep the profits they might make by doing so, the charge goes, we are defending the anti-social selfishness of those owners. By implication, we are opposing the rights of the masses to receive a living wage or fair prices. On this view, the selfish, greedy search for profits is responsible for poverty, crass commercialism, and the general decline of society. The world would be better off if we all acted more altruistically and more out of concern with others' welfare than with our own—and if we won't do it, the state should. The pro-capitalist perspective is ruled out of the discussion because it defends immoral self-interest.

So what are we to do? I suggest that the best way to respond to these charges is not to debate the merits of self-interest in the abstract, but to examine the relationship between the organization of society and the benefits or damage created by self-interest. Empirically, does society work better or worse when self-interest is given freer reign? In what sorts of social groups will self-interest work or not work? These are questions that can be addressed by economics, sociology, political science, law, and, of course, history. They are theoretical and empirical issues, not just philosophical or moral ones. I propose that we should defend self-interest on the grounds that, at least in the large heterogeneous world of an advanced nation (what F. A. Hayek called "the Great Society"), self-interest "works." Economic and social institutions that give self-interest greater latitude simply produce more wealth and lead to longer and higher quality lives.

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Kinds of Societies

Let us distinguish "face-to-face" groups from "anonymous" or "Great" societies. In face-to-face groups, all or most of the members know each other individually, and generally have shared preferences and goals. People can coordinate their plans through ordinary "face-to-face" processes, like talking to each other. Examples of such groups would be tribal groups of an earlier era, families today, small firms, sports teams, college fraternities and sororities, armies, and perhaps religious organizations. Each participant knows a lot about the others. In almost all of them, not coincidentally, the needs of the group dominate the needs or wants of the individual.

By contrast, these features are absent from the anonymous society. In the anonymous society, we know only a very few of the other

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participants at all well. Preferences and goals are quite heterogeneous. Social coordination requires anonymous and abstract processes, such as the market. Examples of anonymous social groups abound: virtually every regional economy on the planet, as well as some other large organizations, such as big firms and much of what happens on the Internet. In anonymous social groups, individuals know little concrete information about one another. Almost all such groups, not coincidentally, are based (or work better when they are based) upon the primacy of the individual over the group.

This notion of interplay among group size, knowledge of the other, and self-interest is not new. In fact we can trace it back to Adam Smith. Consider his explanation for why we need to rely on self-interest:

> In civilized society [man] stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. . . . [M]an has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. . . . It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities but of their advantages.[1]

Note that Smith's explanation is not about any moral failing or the like. Rather, it is simply a fact that altruism won't work, because we don't know enough other people, and implicitly don't know enough about them, to be able to determine what it is that they want and what they can provide for us (not to mention how best to produce either). A world run purely on benevolence just isn't feasible, so we must rely on self-interest to get the job done in an indirect way. The key, though, is that for Smith, the value of self-interest derives from the structure of the society.

Why is that? In the face-to-face world, we can, to a large degree, act selflessly because we know what the interests of others likely are and what the interest of the whole group might be. The adequacy of our knowledge is made possible by the simplicity of the social structure. In a small, homogeneous group, the range of preferences is probably narrow, as are the resources at the group's disposal. The "economic problem" (determining what to do and how to do it) is not overly complex and can be "solved" through face-to-face processes.

In a hunter/gatherer group, for example, the elders understand how everyone fits into the scheme of things. When the tribal elders say "go catch fish today," they speak from knowledge of how this decision will benefit the group as a whole. Or take a sports team: the head coach of a successful hockey or baseball team assigns each player a role on the basis of his knowledge of how and why the person playing that role benefits the team as a whole. The players (and hunters) cooperate, because the hierarchical system works. Of course military examples might be cited as well.

Acting in one's narrow self-interest, in these situations, is gauche or downright antisocial. The athlete who puts himself above the team is usually (although less so than in years past) rewarded with a spot on the bench. In a family, putting yourself above the group is considered a sign of immaturity. In the military, or a tribal clan, putting yourself ahead of the group can mean not just your own death, but the death of the group. To "go your own way" in such groups is to invite the destruction of the whole group by upsetting the delicate web of relationships that defines it and makes its survival possible.

In the Great Society, however, things are radically different. Here, we know very few people very well and this makes it ineffective for us to act selflessly. Those we know well are such a small proportion of the people we directly interact with, to say nothing of those with whom we interact indirectly, that the task of determining others' or the general interest

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is hopelessly beyond our capabilities. When we think of interaction in anonymous societies, we might be tempted to only think of direct interaction: those whom we meet face to face in an ordinary day. Yet we interact indirectly with countless others, most of whom are not aware of their relationship with us, nor ours with them. Leonard Read's classic article "I, Pencil" makes this point as simply and effectively as anyone ever has.[2]

The variety and sheer number of "others" in the Great Society makes intentional altruism very difficult to practice. What does it mean to act in the best interest of others? How do we know and what do we do? Thus self-interest is the solution by default. But, we must still interact with those around us, even if we don't know them personally. We cannot simply go blindly through the world *ignoring* others, just because we can't act directly in their interest. We need to form some expectation as to others' behavior. Thus anonymity poses some different problems for us than does the face-to-face world. Where face-to-face conversation could coordinate all our plans in that world, it won't suffice in the anonymous world of the Great Society. There are too many people we would need to talk to. The question now is: how do we channel self-interest into beneficial results?

Coordination in Anonymity: Markets and Self-Interest

Here is where the market comes in. The institutions of the market allow for self-interest to be channeled in ways that serve the interests of the society as a whole. As Smith pointed out: the lure of profit encourages entrepreneurs to produce the goods that people want, and to produce them as economically as possible. In the Great Society, signals from profits and losses substitute for the direct knowledge available in the face-to-face world.

The development and use of market prices is key to the coordinative role of the market. As Hayek pointed out so carefully 50 years ago, prices convey knowledge.[3] That is, market prices enable us to overcome our limited knowledge of others by serving as a symbol, a substitute, for the vast amount of detailed knowledge we would need to acquire to know what others wanted. Prices are more than "just numbers." They are more like words that convey meanings to those who make use of them.

Prices that are permitted to move freely as people buy and sell, or refrain from buying or selling, reflect the knowledge and preferences of market participants. When I buy a quart of milk at the store, I am not only satisfying my own thirst but also sending a signal to others in the market about what I want and what I'm willing to give up to get it. Market exchanges are a form of communication, and as such, they enable us to overcome the knowledge limitations that are inherent in anonymous societies.[4] Others in the milk market don't, can't, and don't need to, know exactly what's in my head. They don't even need to know who I am. When I buy that quart of milk, I am providing them with a condensation, or a crystallization, of the information they do need in order to know what to produce and what to charge for it.

On the other side of the ledger, milk producers have to watch the prices *they pay* for the inputs into milk production. If plastic bottles get more expensive, that will perhaps prompt them to switch to paper cartons. The prices of inputs provide information not only about what to produce, but about *how* best to produce things. Of course the milk I buy at the store is for my own personal consumption, but a local restaurateur might buy milk, or other products at the grocery store, to use in her dishes, using the same kind of milk I consume directly as an input into restaurant production. The interconnections of the marketplace are vast indeed. The self-interest of producers and consumers leads both groups to find the most cost-efficient ways of finding what they want to buy and producing what they want to sell.

Prices enable us to calculate profit and loss, perhaps the most powerful bridge between self-interest and social well-being. A restaurant that produces and sells meals that are more valuable than the combination of inputs used in producing them will make a profit, while a restaurant that fails in this regard will

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incur losses. Profits and losses link the self-interest of producers to the "public interest" by steering owners of capital to use their resources in ways that increase their value. A successful producer has created value and has benefited society by increasing the value of the total stock of resources. As the economist William Hutt once wrote, "profits are proof of social service."[5] An entrepreneur who makes a profit in the marketplace has benefited others by giving them something they wanted more than alternative uses of the resources.

Self-Interest as a Virtue

Despite this argument we continue to hear moral condemnations of self-interested behavior. Sacrifice and altruism are said to be our highest calling. Economic activity is deemed to be beneath the truly virtuous activities, such as providing charity, creating art or music, or pursuing pure science. Why this condemnation of the driving force of the market and, by implication, all of the benefits that the market brings with it?

My guess is that people who condemn self-interest generally don't understand the factual connection between self-interest and social benefits. Explaining that connection is the real contribution of economics. The connection matters not just for how we understand the social world, but for how we morally appraise actions within that world. Those who condemn self-interested behavior as anti-social should make an effort to understand what the social effects of such behavior really are, beyond those intended by the actor.

Because the immediate motivation of much economic activity is self-interest, such activity is not thought to be as noble as art or science. However, if it is true that self-interested activity in the market creates value and benefits others, then why isn't it as noble as these other human endeavors? Why are the acts of inspired creativity that invented and marketed the personal computer, or even Velcro, any less noble than the creation of art or music or the pursuit of science? All of those activities benefit others and are driven by the creator's urge to produce. The only difference is that entrepreneurs are frequently explicitly and overtly driven by a particular *type of self-interest, namely financial.* But why does it matter what the motivation is, if the results are beneficial? Why do we care so much about why people do things instead of the results they produce? Would the personal computer be any more important or more useful had it been invented by monks seeking to serve others, rather than by business people and engineers seeking profit and the satisfaction of intellectual curiosity?

One of the important unintended consequences of self-interest in the market is an increase in the pleasantness of social interaction. For example, if you call a mail-order company like L.L. Bean to buy something, order takers are normally helpful and treat you with respect. Most restaurants will go out of their way to prepare your food the way you want it. Neither the phone sales clerk nor the waitress knows you as a person, but she treats you with a civility not all that much different than she would treat a friend she cared about. Now it's true that workers are acting this way because it's in their self-interest to do so—they lose profits if they lose customers. But who cares? Isn't this a better way to interact than a world where markets and the self-interest in civility are absent? Customer service in Eastern Europe and the former Soviet Union was largely nonexistent, and is only now emerging with the turn toward markets.

The Limits of Self-Interest

My defense of self-interest in the marketplace is not a blind defense of self-interest at all times and in all places. I'd like to discuss two settings where self-interested behavior is not to be praised.

The first is perhaps the most important. Self-interest, including and especially that of business owners, can do great damage when it works its way through the political process. In the mixed economies that characterize virtually the entire world these days, people have two broad ways of increasing their individual wealth (outside of direct theft): they can operate in the market arena and try to profit by voluntary exchange, or they can operate in the political arena and try to profit

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by subsidies or restrictions on their competitors. Both of those options involve self-interested behavior, yet the consequences are dramatically different. Market competition channels the self-interested struggle for profits toward producing what people want and producing it efficiently. When firms pursue self-interest through political action, they seek to benefit themselves by *preventing* the socially beneficial communication process of market exchange and competition from having full force.

Acting on one's self-interest by using the state to coerce others is anti-social behavior. It negates the social benefits which derive from market competition and it prevents the socializing and civilizing process of interdependence which grows out of that competition. The greater coarseness and lack of civility we see in political discourse these days is precisely because wealth-seeking through politics is more important than ever before. The political process is a zero-sum game exactly in the way the market is not. In politics, my gain is someone else's loss: dollars for my spending program require more taxes or funds taken from other programs. In the market, my gain means creating wealth, a positive-sum game. In politics, either you win or you lose. In market exchanges, both sides win.

The other area where self-interest is problematic is in the bits and pieces of the face-to-face world that exist all around us: families, firms, teams, friends, churches and synagogues. A family remains a bubble of face-to-face interaction embedded in the larger world of anonymity. The same for our places of work and worship and our circles of friends. Some "free marketeers," particularly those influenced exclusively by economics or by Ayn Rand, leap to the conclusion that self-interest is always the way to go. Well, it isn't. There is nothing "unlibertarian" about sacrificing for one's family, or taking on an assignment at work that one really doesn't want but will serve the firm's interest. In these face-to-face domains, we have to play by the appropriate set of rules. Self-interest belongs in only those areas where it generates beneficial consequences and is ultimately a socializing form of behavior. Where self-interest is anti-social, such as politics in the mixed economy or in any of the face-to-face domains mentioned, it does not belong.

Conclusion

Those who vigorously defend the free market should not be uncritical defenders of self-interest. Self-interest is morally praiseworthy in those areas where it unintentionally produces consequences that benefit others. Where self-interest is either inappropriate (the family, firm, or house of worship) or anti-social (political wealth transfers), we should condemn it. As the dominant cultural forces continue to rail against self-interest in almost all of its forms, and never pause to consider where altruism works and where it simply doesn't, we need to be ever vigilant about defending self-interest where appropriate. Misunderstanding the role—and limits—of self-interest can lead to political and economic disaster. □

1. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Chicago: University of Chicago Press, 1976), p. 18.

2. Leonard Read, "I, Pencil," reprinted in *Free Market Economics: A Basic Reader*, compiled by Bettina Bien Greaves (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1975).

3. F. A. Hayek, "The Use of Knowledge in Society," reprinted in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948).

4. See Steven Horwitz, "Monetary Exchange as an Extra-Linguistic Social Communication Process," *Review of Social Economy*, 50(2), Summer 1992.

5. W. H. Hutt, *The Keynesian Episode* (Indianapolis, Ind.: Liberty Press), p. 76.

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THE FREEMAN
IDEAS ON LIBERTY

The Social Function of Mr. Henry Ford

by Spencer Heath

April 19, 1937

Dorothy Thompson
c/o *The New York Herald Tribune*
230 West 41st Street, New York City

Dear Miss Thompson:

Mr. Ford is a great administrator of a great service organization. It is his social function to own and thereby to administer vast productive properties which consist in (1) materials in process of having services incorporated in them and (2) facilities, such as buildings, machinery, and tools, wherewith to work upon the materials and build into them the values that arise and are measured at the points of exchange and thence transformed into satisfactions.

In order to give socially creative administration to all this capital—these moving and these fixed properties—Mr. Ford calls to his aid many persons having specific training, skills, and capacities. All these persons enter into a contractual relation with him that guarantees to them compensations for their services (wages and salaries) so certain and definite that they are a first lien on everything that he has or owns. And if those wages and salaries are higher than in other organizations it is only because under Mr. Ford's superior administration and supervision these numerous subordinate persons can create, jointly with him, more of service, of value, and of satisfactions to the public and to themselves than in any other employment or occupation. This is what holds his organization together—the superior creation of wealth and services under his administration and supervision. This is what *socializes* his business, keeps it on a basis of voluntary and mutual service, with ascending values, as between all the persons or interests cooperating and serving each other.

Look at how this carries on. His subordinates give him specific supervised services. He gives to them the supervision, discipline, if you wish, without which their various services cannot be creatively coordinated. He puts materials into their hands and provides them with marvelous facilities wherewith to work upon these materials, building potential values and satisfactions into them. And beyond giving the service of supervision to his subordinates he also must administer all the capital, the physical things, that he puts into their hands. This administration extends not alone to disposition and guidance of the facilities and materials used and worked on by them but also to merchandising of the moving capital into money or credits for redistribu-

Spencer Heath (1876-1963) was a pioneer in aviation manufacturing and the author of Citadel, Market and Altar: Emerging Society. *His grandson Spencer Heath McCallum found this letter in the course of cataloguing his grandfather's writings for the Institute for Humane Studies.*

Miss Thompson was a well-known journalist whose column, "On the Record," appeared in the Herald Tribune *three days a week, alternating with Walter Lippmann's column.*

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tion—chiefly, among his subordinates as wages and salaries; secondarily, back into his productive properties as extension of capital; and lastly, to his own personal use and subsistence, and this last is probably smaller than that of many of his employees.

While in performing all these services Mr. Ford must supervise his subordinates, he himself is under a sharper and severer discipline. They can suffer no penalty beyond loss of further association of effort with him. In no case can they lose anything that they have already created or accumulated or otherwise own. But Mr. Ford, if his services are not well performed, must lose not only all further cooperation from them but must, if need be, forfeit the last dollar's worth that he has accumulated for a lifetime in his business, even including anything he may have set aside for his own personal use and subsistence. In short, if he fails creatively (profitably) to perform his supervisory and administrative services and to meet his administrative responsibilities his business becomes automatically liquidated, he loses all his property and on top of all this he is separated from further employment in the enterprise as completely and more irrevocably than he might have dismissed a former employee from under his supervision.

Now, Miss Thompson, is Mr. Ford and his work a social disease to be eradicated or is it a manifestation of the healthy functioning of social forces? What heavier responsibilities should fall upon him, what sharper discipline does he merit than he already has? What legal shackles can you imagine or suggest that might increase the volume or the value of the work he now so eminently performs, despite the political restraints and restrictions that are weighing so many down? Should he be set free, nationally and internationally, to extend more widely the scope and range of the *voluntary* obligations and responsibilities he has so far well met or should he be coerced and bludgeoned (democratically or otherwise) into a further subservience to politicians (public servants?) and the political creditors to whom they owe or hope for a continuance of their present office and power? Why not reduce Mr. Ford and all such as he who bear administrative responsibilities to the status of yes-men under the brute power of public officers with guns and jails and political obligations—and good intentions?

The answer is because, unlike Mr. Ford's business, the public business is not organized, not socialized into an efficient service. It has no department of administration and supervision functioning as such; no owners or responsible administrators of the public properties, no supervisors of the public servants. The public servants are all non-administrative, all wage or salary workers. They are like a horde, under no creative discipline or supervision to restrain their rapacity or their destructive benevolence and their leaders are under no obligation but that of all despots—to do anything that they think necessary to maintain office or otherwise to wield physical power. This is why, unlike Mr. Ford and his organization, they do not create social values but destroy them. This is why they discourage production and create deficits where Mr. Ford and his kind build abundance and profits and sound social values. Mr. Ford does not employ violence or coercion or seek to have government use it on his behalf. He has become socialized. All his dealings with others (except politicians and mob masters) are noncoercive and voluntary on both sides. He practices, so far as he is not coerced, the true democracy of the marketplace where men come together and from time to time call out their wishes and desires as to the exchange ratios between the services and commodities they exchange with and confer upon each other. Here is the democratic process, the basic social process of exchange (as opposed to seizures and enslavement) from which all values arise.

Now look at the technique of the politicians, the public servants (save the mark). They and only they are given the power to take without exchange, to compel without consent. Once the leaders, the Ali Babas, have grasped political power or wheedled it from a harried electorate they become exempt from the democracy of the market. They become anti-social because force and seizure, and not exchange, become their basic technique. Benevolence may be their will but

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violence is their only instrument. Everything they receive is taken by seizure of taxes out of socially created values and penalization of social processes. All that they give to their special beneficiaries and mass protégés (to hold their political support) they must first take in the same manner and from the same source.

Of course, all this ought not to be. The acceptance and practice of socialized instead of anti-social methods in public business is long overdue. But until the better methods are discovered and applied let me ask you, Miss Thompson, can it be that you are in favor of reducing Mr. Ford's business to the anti-social level of political operation or control?

When Mr. Ford enters a market for materials or for labor to be combined with his own and accumulated in those materials or when he goes there for greater capital equipment to facilitate this process or to dispose of his finished goods or services where there is most need and demand for them or when he practices that great supervision over his associates without which their labor would be of little avail, would you have him shackled to an enforcement officer of compulsory and prohibitory laws in order to improve his functioning as a creator of social values and abundance? And you who believe in brute dominance over social creators (only so it be under "democratic" forms) support statutory enactments creating crimes—making it criminal for an employer to dismiss an employee or fail to re-employ him at the expiration of his day by day or week by week contract. And then the High Court lays the crime, the gravamen, not in the dismissal but in the reasons for it. The same act is to be lawful or criminal, depending upon what the defendant can be accused of holding in his mind. Where are all the safeguards of ancient law against punishments for psychological crimes? Let any "worker" (so-called) but conspire against the employer whom he has promised to serve and combine with others to oust him from his properties and by violence and otherwise prevent the operation of his business, then such employee must be sacrosanct against dismissal and therefore against every other discipline. Even Satan in revolt did not hurl his Chief over the battlements and sit down upon the celestial properties.

But you seem to think Mr. Ford is an "economic royalist," an industrial King John, and "labor" must have its Magna Charta. When has he, like John, "betrayed all and served none"? When, indeed, has he seized the persons and properties of his employees? Must he, like King John, be forced to sign a bond and pledge to discontinue such acts? These are the violences and violations of despotic kings and their political descendants, the demagogues and politicians. They are the acts of political, not of social and industrial servants, like Mr. Ford. For he indeed is a servant of his entire nation and of much of the world.

From one like you, Miss Thompson, with your admirable earnestness and honesty of mind and heart, it is fit that gratitude should arise to men like Mr. Ford who have socialized their energies into wealth and comfort for their fellow men. Rather should you wish to deliver them out of the hands of the politicians, of ruthless King Demos and his demagogues whose present-day seizures of property far exceed anything even attempted by the villainous King John. Let us not have Mr. Ford and his employees desocialized out of live service to the public and into dead subservience to politicians. Let us take more thought how it may be possible to socialize the politicians, the government, into an agency of public service by curtailing their perquisite of seizure and thereby bringing them under non-political discipline and supervision and bringing the public property, like Mr. Ford's properties, under responsible, profitable, and revenue-producing administration. Government can be socialized. The creative principle in nature conspires towards this. Let us open our eyes to those forms of social organization in business that build and create. Let their providence and their beauty inspire us to extend them beyond the industrial and commercial even into the political realm. Let our ideal be less seizures and more of exchange, less government methods in business and more business methods in government.

Spencer Heath

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THE FREEMAN
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Red-Lining the Federal Government Budget

by Richard H. Timberlake

Throughout the United States, millions of households and business firms routinely balance their annual expenditures with their annual incomes. They look aghast and uncomprehendingly at a federal government that has not balanced its budget in the last 25 years, while its debt—the national debt—the sum of the government's annual budget deficits, has soared to almost $5 trillion.

Politicians and the media claim that people want too many government services. They argue that the government's taxing powers cannot keep pace with the spending necessary to satisfy these demands even though tax revenues increase automatically every year without any deliberate legislation to increase them further.

These apologists greatly exaggerate the public's demand for government services. Much of what the public "demands" is actually a burgeoning supply of something-for-nothing by uncontrolled government bureaus. A more accurate analysis of public preferences shows that while the individual taxpayer wants much less total government, he fears that budget cuts may eliminate the specific program that benefits him without reciprocating cuts in other programs. The net effect is that total expenditures continue to rise out of control so as to accommodate the sum of preferences for specific programs.

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The two major political parties are now locked in a titanic struggle over what both sides label "a balanced budget." This label, however, violates the common principle of truth in advertising. First, party leaders are not debating on a balanced budget for now or even for now-plus-five years. They are bargaining about an annual budget that would allegedly be balanced seven years hence! Both parties propose tax revenues and spending projections for the intervening years that supposedly would provide a "path" to budget balance. However, even the Republican "path" includes increased government spending of $50 billion a year, and another $650 billion increase in the $5 trillion national debt, before the annual budget is finally balanced in 2002.

Can anyone believe that these spending projections would remain inviolate? That future Congresses would honor the constraints that this Congress is trying to impose on them? That future "crises" would not provide convenient excuses for abandoning the earlier legislators' pledges?

Most important of all, the Republican strategy for "balance" relies on Congressional Budget Office (CBO) calculations of future years' tax revenues and spendings. These estimates are subject to endless debate over their accuracy, and what effect they would have on various segments of the electorate and special-interest groups. No one can certify the "numbers" of either party nor the

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commitment of future congresses to this Congress's ideals.

A Different Strategy

What is needed, as every private householder and businessman living outside the Washington Beltway understands, is an entirely different strategy. Budget balancers, who sincerely believe their fiscal principles, should concentrate on balancing the 1997 budget, not the one in 20-ought-something. No private householder plans a budget seven years hence, or even two years ahead. She plans it month by month for the next year as it unfolds. And she does not use "projections" of future income. She looks at last year's realized income (what could be more certain?), and bases the coming year's spending plans on last year's certainty.

So the government's budgeteers should similarly calculate. Their accountants know virtually to the dollar how much revenue came into the Treasury during 1995–1996. That "number" should be their spending red-line for 1996–1997. They would then be able to prioritize government spending on programs, agencies, departments, projects, deployments, commissions, administrations, and funds. The president, if he is equally sincere about budget balance, should then accept the Congress's total spending limit, based on the last fiscal year's total tax revenues, as his own red line. He should have a line-item veto to take out spending items he thinks are unnecessary. The House of Representatives, however, has the sole constitutional power to initiate fiscal spending. So the president has no authority to add his own line items even though he would be able to bargain quid pro quos with congressional leaders.

Several features of this plan suggest its practicality. First, it establishes a *fiscal rule* for the government's operations that every householder and businessman, regardless of his particular ideology, can understand, appreciate, and accept. Yes, the federal government would still be spending $1.4 trillion dollars next year—that's a million people each spending $1.4 million dollars, a mind-boggling amount. However, a rule-based limit would finally be in place.

Second, future Congresses would not be on schedule to take the heat for what the present Congress has planned for them. The Congress now in session would be setting an example and a precedent for subsequent Congresses to follow.

Third, since this year's tax revenues will usually exceed last year's, adherence to this rule would normally result in small budget *surpluses* for the current year. (Yes, I realize that is an unfamiliar word.) These surpluses could be used to reduce especially counter-productive taxes or to redeem the national debt. While the debt problem is so enormous now that it requires other medicine, at least with a budget red-line in place it would not get any larger.

Finally, a tax red-line on total federal spending would prevent individual preferences for spending programs from forcing up total spending. Total federal spending would be fixed first by the red-line rule, and spending on particular programs would have to be tailored to fit this total. The total would still be obscenely obese, but at least it would be under control. Future efforts of economically minded legislators could then be directed to cutting out the most flagrantly useless agencies, departments, and programs without concern that total spending was still hemorrhaging. □

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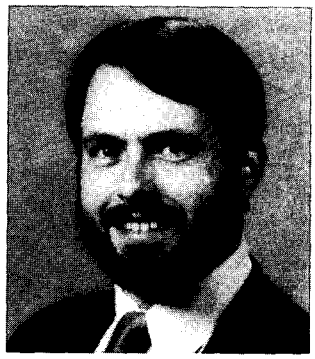

Killing Enterprise

The Big Apple, as New York City is known, is a bustling, energetic metropolis that nevertheless remains a difficult place for all but the very wealthy to live. It is an especially tough town for the enterprising poor seeking entrepreneurial paths out of poverty.

One problem, as described by Raymond Keating in an August 1996 *Freeman* article, is confiscatory taxation. Another difficulty, reports William (Chip) Mellor, president of the Institute for Justice, is that "In occupation after occupation, obstacles to enterprise often far exceed any legitimate exercise of government's authority to protect public health and safety." His new study, *Is New York City Killing Entrepreneurship?*, paints a depressing picture of a municipality intent more on enriching special-interest groups than encouraging its citizens to prosper. The result is to hinder the kind of economic growth that offers the best hope for the poor.

New York City is not alone, of course, but it is a symbol of what has gone so badly wrong in America. Observes Mellor, "No city is more famous for its history of bootstrap capitalism than New York City, where traditionally waves of immigrants joined the native-born to create vibrant communities whose pillars were the local merchants, vendors, and shop owners." But no longer. "Today, New Yorkers seeking to follow in this tradition of entrepreneurship face a bewildering array of laws and regulations that prevent or stifle honest enterprise."

For some, new opportunities simply don't arise. Other people still succeed, but they must surmount higher barriers. Indeed, many owners of small businesses operate illegally. Unfortunately, evasion is expensive and getting caught is even costlier. Consumers, too, suffer.

The regulations that squash people's entrepreneurial spirit are obviously many, but Mellor focuses on occupational restrictions, which alone fill 73 pages of the city's Official Directory. There is, it seems, little that a person can do without government approval. Writes Mellor: "One needs a license to repair video-cassette recorders, to work as an usher or to sell tickets at wrestling matches, to remove and dump snow and ice, to set up a parking lot or a junk shop." In this way, much work, especially that open to those of modest means, has become essentially a government privilege.

New York City limits economic opportunity in three important ways. It restricts the number of permits for activities (cabs, street vendors, newsstands). The government sets cumbersome requirements for receiving an occupational license (car services, child care, hairdressers). And New York City creates public monopolies (mass transit and trash collection).

The most famous permit ceiling—and certainly the most irritating for a visitor—

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involves taxis. In 1937 the city decided that there should be 13,595 cabs. (The number later decreased through attrition.) Today it costs upwards of $175,000 to buy a taxi medallion. To recoup, drivers naturally focus their attention on the more lucrative sections of the city—lower and mid-Manhattan and the airports. The likelihood of finding a legal cab in Harlem, the Bronx, or most anywhere else is about the same as finding a Martian spaceship. Of course, the lack of a legal supply hasn't eliminated the demand for transportation. Rather, an estimated 30,000 "gypsy cabs" simply operate illegally.

New York has also long been known for its street peddlers. Former Mayor David Dinkins was one, so was the father of Dinkins's predecessor, Edward Koch. But today the city allows only 4,000 food vendors and 1,700 sellers of other goods. (At the same time, the City makes it difficult to apply for permits, even when they are available.) At least three times as many vendors now operate illegally, with their merchandise subject to confiscation. As Mellor puts it, the city seems to treat these sellers as "a liability rather than an opportunity, a problem to be managed or contained rather than a wave to be channeled." Similarly, the municipal government allows only 230 newsstands citywide. It is hard to discern even a plausible justification for such a policy.

At the same time, the city bars home preparation of food. This restriction, in conjunction with the ceiling on street permits, essentially forces anyone interested in selling food to rent kitchen facilities from an established restaurant. Some potential entrepreneurs give up; those who don't must pay more and work often inconvenient hours (usually at night, when a local eatery is closed).

Another means by which entrenched interests protect their privileged positions is occupational licensing. For instance, in New York State, one must take 900 hours of courses to become a hairdresser. (It's even worse in California, where 1,600 hours of instruction are required. Other states, like Massachusetts and North Carolina, fall in between.) And a cosmetology license is necessary just to touch someone else's hair.

This means that hairbraiders, who play an increasingly important role in African-American communities, must learn everything taught to hairdressers, such as how to cut and color hair. The licensing process has nothing to do with public safety—emergency medical technicians, for instance, go through only 116 hours of training. Rather, the requirements, enforced by current practitioners, are designed to restrict competition and thereby enhance earnings. As a result, many hairbraiders must work informally and illegally. Reports Diane Bailey of the International Braiders Network: "This is a cottage industry done in our homes, on our stoops, in our kitchens."

Similar requirements are imposed on day care operators. The problem is not just that New York City's regulations are particularly stringent. It is that they are also utterly irrelevant. For instance, the director of a center must have a master's degree or be enrolled in a master's program. Employees must meet the same certification requirements as teachers. On top of these come the usual intrusive controls—over the kinds and quantities of snacks to be served, for instance. That such regulation is not needed is evident from the success of some 5,000 relatively unregulated providers of "family" day care involving fewer than seven children. Such operations currently exist in the city, without evident harm to New York's children.

About 5,000 vans and minivans are thought to ply New York City's streets, carrying some 20,000 passengers daily, principally through immigrant and minority neighborhoods. Such jitney services operate more cheaply than the government bus monopoly; they are also more convenient, stopping wherever passengers desire. In addition, reports Mellor: "The van services have been the route by which their owners, many of whom now employ numerous drivers, have worked their way up the ladder of economic mobility. Virtually all are Caribbean immigrants, from Barbados, Jamaica, St. Kitts, Guyana and assorted islands, who escaped poverty through this enterprise."

Alas, the city bans any competition with the city bus operation. The power of public offi-

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cials and benefits of public-sector employees are considered to be vastly more important than jobs for minority workers and convenience for minority passengers.

New York City similarly maintains a monopoly for residential trash removal. Private haulers compete for the business markets and could serve apartments and individual homes as well. But, again, munificent benefits for government employees, ranging up to $55,000 annually, have generated a powerful lobby for the status quo. The losers are consumers and entrepreneurs alike.

The problems of New York City and other major urban areas are manifold, and there is no panacea. But no reform program will work without deregulation. As Mellor points out: "The revival of a culture of enterprise, one in which thousands of poor but ambitious people routinely pursue their occupations, aids both those in business for themselves and others whom they may inspire or, ultimately, employ. Such a culture of enterprise is an essential and powerful catalyst for community building." Such a culture will be possible only when America is truly free—when governments across the country finally get out of their people's way. □

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Law Enforcement by Deceit?: Entrapment and Due Process

by Jennifer Johnson

According to an April 1993 FBI Law Enforcement Bulletin, "Law enforcement officers often employ trickery and deception to catch those involved in criminal activity." What might surprise you is that the Bulletin just quoted was not designed to discourage or reprimand such trickery, but rather to spell out how law enforcement officers can best conduct it so as to avoid "undercover investigations [giving] rise to successful [defense] claims of entrapment."

Contrary to popular belief, executed properly, many dubious investigative tactics are perfectly acceptable under the current parameters of the law. The 1992 Supreme Court ruling in *Jacobson v. United States*—that law enforcement "may not originate a criminal design, implant in an innocent person's mind the disposition to commit a criminal act, and then induce commission of the crime so that the government may prosecute"—establishes only loose and vague constraints on police procedure. The Supreme Court has held that when investigating certain criminal behavior, police may lawfully use a wide array of undercover techniques that, although deceptive, do not legally constitute entrapment.

Ms. Johnson is a freelance journalist living in Tampa, Florida. She writes a monthly column dealing with personal sovereignty issues for Impact Press, *a regional magazine distributed in the southeastern United States. Her work also appears regularly in* The Hernando Today.

The question is: What does? And why does law enforcement seem to have such extraordinary latitude to conduct lawful investigations that most would deem Machiavellian?

Entrapment is defined, in criminal law, as an affirmative defense (one in which the defendant has the burden of proof) which excuses a criminal defendant from liability for crimes proved to have been induced by certain governmental persuasion or deceit. In considering entrapment defenses, courts have deliberated four questions. Their answers to these questions determine in a particular case whether an entrapment defense is relevant and can exonerate the defendant.

The first question is: Does law enforcement need reasonable suspicion before targeting the accused in an undercover investigation?

Surprisingly, the answer is no. Numerous federal courts have held there is no Federal Constitutional requirement for *any* level of suspicion to initiate undercover operations. The courts have ruled there is no constitutional right to be free of investigation and that the fact of an undercover investigation having been initiated without suspicion does not bar the convictions of those who rise to its bait.

So, a defendant cannot be exonerated of a crime on entrapment grounds merely because he or she can prove that police had no reason whatsoever to suspect even the slightest of criminal inclinations. What he must prove is that he was *induced* by police to commit the

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crime. This leads us to the second question: What constitutes inducement?

An officer merely approaching a defendant and requesting that he commit a crime does not. To claim inducement, a defendant must prove he was unduly persuaded, threatened, coerced, harassed, or offered pleas based on sympathy or friendship by police. A defendant must demonstrate that the government conduct created a situation in which an otherwise law-abiding citizen would commit an offense.

For example, in *United States v. Young*, the Internal Revenue Service (IRS) placed an undercover female informant at an IRS site to investigate drug activity. The informant became friendly with the male defendant, who hoped the relationship would develop into a romantic one. During the next four months, the defendant and the informant had contact at work as well as frequent telephone conversations in which they discussed their mutual marijuana habit and the availability of the drug. Five of these conversations were initiated by the informant.

Sometime later, the informant indicated that she had marijuana available for sale and the defendant agreed to find a buyer. The sale was arranged and the defendant arrested and prosecuted.

Clearly, inducement, right? Wrong. The court found that the level of contact between the informant and the defendant was not such as to be harassing or coercive. Nor was the friendship such that the defendant would feel compelled to respond affirmatively to the informant's offer for some sort of personal, lawful gain.

A converse example is that of *United States v. Skarkie*, in which a government informant, who was a distant relative of the defendant's estranged husband, moved in with her and asked her to put him in touch with people who could sell him drugs. Initially, she declined; but, the informant continued to pressure, and ultimately threatened her. He impaled one of her chickens on a stick and left it outside her back door and later stated that, "What happened to the chicken can happen to people as well."

Skarkie subsequently took the informant to meet a source, who later brought approximately three pounds of methamphetamine to her home. Skarkie and her source were then arrested and tried.

In this case, the U.S. Court of Appeals for the Ninth Circuit found that the government *did* induce the defendant to break the law because the informant initiated the idea of a drug sale, repeatedly pressured Skarkie to agree to his plan, and threatened her when she indicated that she was reluctant to participate.

Defining Predisposition

Even with the finding of obvious inducement, Skarkie wasn't off the hook. Courts usually require that a defendant go further and prove that he or she was *not predisposed* to commit the crime. If this can't be done, even in proven circumstances of coercion and threats, the entrapment defense fails. Thus arises the third question: What constitutes evidence of predisposition?

Although they require predisposition to be proven (or disproved) above and beyond inducement, most courts consider the two elements of entrapment to be closely related and often the same evidence will establish both. There is a primary distinction, though, between the two: Inducement focuses on the government's conduct, while predisposition focuses on the defendant's actions and statements.

Predisposition is not solely based on whether a defendant has previously engaged in criminal activity. Predisposition may be established merely by showing the defendant's desire to make a profit, eagerness to participate in criminal activity, or quick response to the government's inducement offer. Thus, even in circumstances where there was no reasonable suspicion to initiate an investigation where the defendant has proven illicit tactics of government inducement, and where there is no record or suspicion of criminal activity in the defendant's past, an entrapment defense may still fail if the defendant engaged in the induced activity for profit, monetary or otherwise, or did not demonstrate marked reluctance.

The word "draconian" comes to mind. It

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apparently also came to the minds of those on the Supreme Court in 1973, who initiated a doctrine in hopes of establishing a system of "checks and balances" to apply to arguments of entrapment.

This doctrine is called "the outrageous government conduct defense." It determines that, although proof of predisposition to commit a crime bars application of the entrapment defense, "Fundamental fairness will not permit a defendant to be convicted of a crime in which police conduct is deemed 'outrageous.'" In very rare and limited circumstances, this defense exonerates a defendant from criminal liability for crimes committed even when predisposition has been established.

This doctrine is the subject of the fourth question: What is the viability of the "outrageous government conduct defense"? Prosecutors and law enforcement officers continually question the legitimacy of the defense, while defense advocates say its scope is much too limited.

By the courts, it is presently regarded as "theoretically viable where the government is overly involved in the creation of a crime." What exactly does that mean? There are those, both within, and outside of, the legal profession, who would argue that the government was "overly involved" with both Young and Skarkie. But their arguments in our present courts would be to no avail. The outrageous government conduct defense has proved successful only in cases involving the most *extraordinary* degree of government involvement or coercion.

If, before you read this article, you were told of a place where law enforcement officers could legally initiate an undercover investigation with you as the target, go so far as to present you with both the opportunity and the faculties to commit a crime, and then arrest you and convict you of that crime, it's the last place you'd want to go.

Now you know you're already there—U.S. federal law permits this to happen.

The entrapment debate is a heated and complex one. Its consequence reaches far beyond the issue of justice being served to defendants actually charged as the result of undercover investigations. Until entrapment is defined clearly and fairly, all of us face a threat to our right of due process. □

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Why Not Slavery?

by Bertel M. Sparks

Upon first impression, it might appear a bit ridiculous even to ask the question, Why not slavery? At least if anyone anywhere in the Western world should seriously suggest the legalization of slavery, it is doubtful if he would get much of a hearing. Rather than creating any kind of stir, he would probably succeed in nothing more than making himself look like some sort of nut. I assure you that I have no intention of offering any such suggestion.

At the same time, I do propose to talk about slavery. In doing so I hope to talk about slavery in its ordinary and usual sense without attempting to give the term any indirect, obtuse, or unique meaning. And as I understand the term, it means a system or institution that permits some person or persons to hold some other person or persons in bondage to such an extent that the work and labor of the person being held is subject to the control of the person doing the holding. Under that system the person being held has no right to abandon the master or to reject the work or labor that is being demanded of him.

Slavery then is a political and economic system that permits one human being to own another human being in the literal and absolute sense. The slave is the property of the master. Slavery was abolished a long time ago, at least in the Western world. And in this age that seems to be blessed (or cursed) with more conflicting ideologies than people, and when almost any doctrine or teaching can be heard from some housetop somewhere, no one can be found who is openly proclaiming slavery as a desirable way of life. And I assure you that I have no intention of suggesting any movement in that direction.

In that case, why should we spend our time discussing an issue upon which there seems to be such unanimous agreement? My reason is simply this: When everyone is agreed that a thing is wrong, there is a tendency to forget why it is wrong. And when the reason for a wrong is forgotten, there arises the danger that the wrong itself might reappear and receive a warm reception from the very people who are most convinced that they have long since rejected it. Wrongs that are understood are rarely, if ever, accepted by human beings. But when the wrong is wrapped in a sufficiently attractive package, attention tends to drift toward the beauty and glamor of the package, the understanding falters, and the wrong itself is unwittingly accepted as a model of righteousness. Maybe we all agree that slavery is wrong, but how many of us can articulate a good reason why it is wrong? Why shouldn't people be permitted to own people? Why should there be a law against it?

Slavery is such an ancient practice that the exact circumstances, time, or place of its beginnings cannot be determined with complete certainty. But all indications are that it began as a humanitarian measure. There was a time in the ancient world when the customary way for ending wars was to slay your

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enemies. That meant the slaughter of whole tribes, cities, or nations. Eventually primitive man conceived the idea that it would be more humane, as well as more profitable, to capture the enemy and make him a slave rather than kill him. In that era when it was a choice between becoming a slave or having your head prematurely removed (and possibly boiled for dinner), slavery did have its attractions and even some humanitarian aspects. But it is doubtful if any degree of humanitarianism or the lack thereof will ever be sufficient to either justify or condemn slavery. Something more fundamental is needed to provide a satisfactory answer to the question, Why not slavery?

That "something more" is well expressed in John Locke's declaration of the fundamental rights to life, liberty, and property; or as Thomas Jefferson put it in the Declaration of Independence, the right to life, liberty, and the pursuit of happiness. That simple, three-point statement is probably the most concise and yet the most complete statement of the fundamental human rights ever written. Although it has not been often used in connection with the slavery argument, its application is sufficient to make slavery impossible. And whether you prefer Locke's or Jefferson's version makes no difference. I hope to illustrate that point in just a moment.

The Right to One's Own Person

The right to life means the right to one's own person. It is a right not to have one's own body interfered with. And if everyone has a right to his or her own person, then no one can have a right to control, own, or interfere with the life, the existence, or the personality of any other person.

The right to life includes the liberty to use that life in the manner most pleasing to the individual concerned. And if everyone is free to use his life as he sees fit, he is free to pursue whatever calling or employment he chooses, and to advance as far in that calling or employment as his abilities and inclinations permit. He may use his life foolishly or wisely; but since it is his life, the choice is his. That is but another way of saying that no one has a right to dictate or control the manner in which any other person uses or neglects to use his own life. This is the meaning of the word liberty as used in the Locke-Jefferson trilogy. It is also a demonstration of how the right to liberty is an inevitable consequence of the right to life. If one has a right to life, he must have a right to use that life as he sees fit. He has a right to liberty.

And if each individual has a right to choose how he will use his life, it would seem to follow that he also has a right to the fruit of that choice. The fruit of that choice means the product of one's own work and labor. It is what Locke described by the word property and what Jefferson identified as the pursuit of happiness. Different individuals make different choices. They also have differing abilities. Although using different words, both Locke and Jefferson declared that every individual is entitled to the fruit of his own choices. And if each one has a right to the product of his own life as that life is lived in accordance with the choices which he alone is entitled to make, it necessarily follows that no one has any right to the product of someone else's efforts.

Thus it is that if every individual is possessed of an unalienable right to life, liberty, and property (or life, liberty, and the pursuit of happiness if you prefer) slavery cannot exist. Its existence is impossible because where everyone has a right to run his own life, no one can be left free to run the life of another.

The abolitionists tended to center their attention upon the cruelty toward or the living conditions of the slaves. Much was heard of the cruelty illustrated by *Uncle Tom's Cabin* and the inhumanity involved in the frequent division of families in the slave markets and the substandard living conditions of the slaves. The defenders of slavery usually answered these arguments with claims that personal cruelty toward an individual slave was a rare thing and that the forced division of families was almost unheard of. They also alleged that the living conditions of the slaves on the plantations were superior to the living conditions of the free workers in the industrial centers of the growing nation.

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No doubt there was at least some measure of truth on each side of the debate. But what of it? Suppose it could have been shown as a demonstrable fact that slaves were actually well treated and that their living standards were superior to those of a majority of the free workers employed in the factories of the country. Would that fact, if it had been a fact, have justified slavery? I would say not.

The Privilege to Walk Away

The real evil of slavery is that it places the slave's productive capacity as well as the expression of his desires in the hands of someone other than himself. It deprives him of any choice as to what work he shall do or what disposition shall be made of the fruit of his work after he has done it. The extent of his misery might be open to question at any particular time or place. But the thing that makes him a slave and the thing that makes his status wrong is that he is bound to a situation where he is legally bound to stay. He cannot voluntarily walk away and take his chances as to whether the thing he walks away to is better or worse than the thing he is leaving.

It is that privilege to walk away, the privilege of making one's own choices, that makes a person free. The thing that makes slavery wrong is that it deprives the slave of the privilege of deciding for himself what it is that will make him happy. His decisions are made by someone else. And whether that someone else is a private master whose authority is approved and enforced by law or a government bureaucrat who is acting as an arm of the law makes little difference. No one is free unless he is free to make his own choices as to what pleases him.

Even if the slave is provided all the material well-being he can use, he is less than a whole person if his work and labor are being coerced into channels that are not of his own choosing. The Locke-Jefferson doctrine would declare that each individual has an inherent right to make his own choices, not because any government or any earthly power gave him that right, but because he is a human being. And according to Jefferson, that right is an unalienable right. It cannot be taken from him nor can he divest himself of it even by his own voluntary act. When slavery is understood as a deprivation of the right to the productive capacity of one's own body, its appearances in its various disguised forms become harder to conceal.

The building of the ancient pyramids of Egypt was one of the major engineering and technological feats of the ancient world. Although the magnitude of the task was sufficient to impose almost impossible demands even upon modern-day machinery and engineering methods, it was accomplished without any tools except those of a most primitive sort and without any power except human power. The entire work was performed by human labor. The largest of the pyramids is the one known to us as the Great Pyramid. It is estimated that the building of that one alone consumed the labor of 100,000 workers for 20 years. And it appears that most, if not all, of these workers were slaves.

The cinematic productions of Cecil B. De Mille have made most of us intensely aware of the cruelty of Egyptian slavery. Some of us still shrink back in horror as we remember what we saw on the screen years ago. But suppose the Egyptian pharaohs had not used slave labor. Suppose the workers had been left free to seek their own employment and to follow whatever work, trade, or craft they chose. If the pharaohs had then seized the workers' wages through taxation and used that revenue to hire other workers to build the pyramids, would the people whose incomes were being seized be in any better position than they were as slaves? If our attention is centered upon the inhumanity of the lashings that were applied to slaves when they failed to meet their production quotas, we might tend to believe the "free" workers whose substance was being taken were in the more favored position. But if our attention is centered upon the failure of the worker to have any choice as to how the product of his labor is to be used, we will see little difference between the two situations. In either event the worker is being deprived of any choice as to how his productive capacity will be used.

Suppose the tax rate had been fixed at 100 percent and extended to include the incomes

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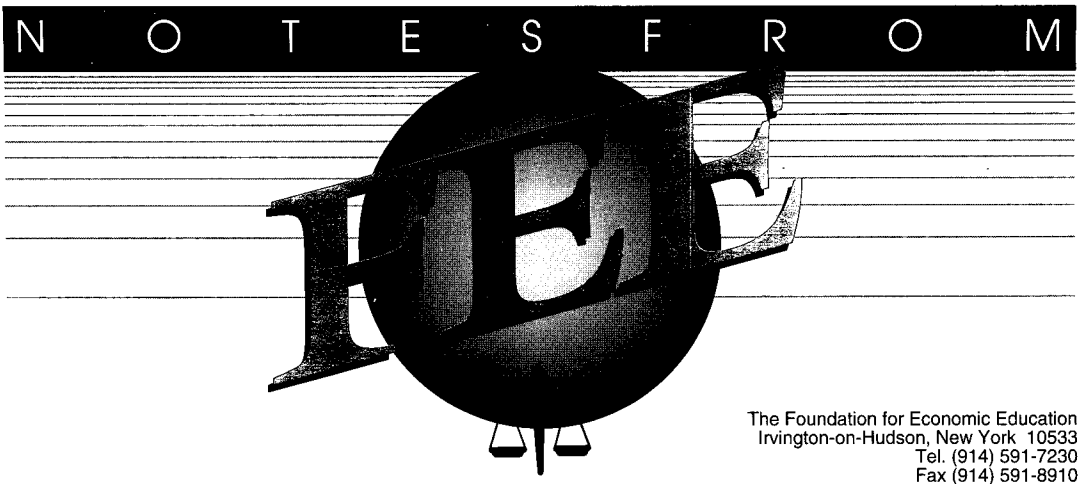

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Sweatshops for the New World Order

Poverty is an anomaly to many Americans. When they encounter it in foreign countries they view it as an aberration of human relations: the rich are exploiting the poor who are forced to work for "slave labor." In contemporary terminology, "profit-seeking multinational corporations are operating monstrous sweatshops for the New World Order."

What these Americans call "sweatshops," the workers in those workplaces may actually hail as "opportunity shops"; and what Americans call "slave wages," foreign workers may welcome as "living wages." The descriptions seem to vary according to the height from which the earnings are viewed. Americans whose wage rates and standards of living are among the highest in the world always look down on the lower earnings of other nationals. Their lofty perspective invites hasty and disparaging explanations. Looking down on poor and primitive workshops they see "sweatshops" paying "slave wages."

A little historical knowledge would help these critics to come down from their lofty perches. During the last century and earlier our forefathers labored long hours in shabby factories and dangerous mines with primitive tools and equipment, earning wages even lower than those paid in poor countries today. It took many decades of economic development to arrive at current levels of productivity and income. It took several generations of Americans to save and accumulate the productive capital that built our modern apparatus of production. **The savings of the people and the business profits that were reinvested by capitalists together with the technological improvements by inventors built the economy as we know it today.**

Politicians who always labor for the next election are quick to take credit for the improvements. The phenomenal rise in American wage rates and working conditions, they declaim, was the sweet fruit of their own efforts, their labor legislation and regulation. Wise and courageous politicians, they want us to believe, fought valiantly for higher wages and better working conditions. The chorus of these politicians is often sounded out by the agents of labor unions who are singing the praises of their efforts in the form of collective bargaining, violent strikes, and costly boycotts. Both groups often cooperate and give credit to each other for pointing the way and forcing greedy employers to pay American wage rates.

The main activity of politicians and labor leaders is criticizing their opponents. If they actually could improve the working conditions of all workers, they could eradicate the hunger and want of this world, purge all poverty, and bring prosperity to everyone. American legislators and union organizers could bring American working conditions to every corner of the world, from Burundi to Bangladesh.

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In reality, working conditions and wage rates depend on labor productivity, which is a direct function of the stock of capital invested per worker. Unless they themselves made investments in their equipment, American workers made no contribution whatsoever to their high standards of living. Wherever they opposed the introduction of modern equipment, or their union agents and political representatives fought or taxed it, they actually resisted the rise in productivity and improvements in their own working conditions.

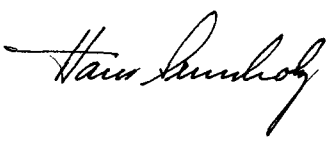
It was rising labor productivity and increasing levels of living that liberated women and children from the early sweatshops. In the industrial countries, labor legislation merely sanctioned the improvements brought about by capital investments. Naturally, legislators, regulators, and union officials claimed credit for the changes.

Their loud denunciation of child labor in poor countries usually produces unintended consequences. It may actually hurt the very people it is intended to help. The children who are dismissed or never hired usually do not return to school. On the contrary, they are likely to seek new employment in the underground economy that pays lower wages and makes more physical demands than the "sweatshops." Many children manage to return to the shops by buying fake documents that make them older than they actually are.

Few American critics of "monstrous sweatshops" are motivated by their concern for foreign children. They rarely offer to house, clothe, and educate the children after they have been driven out, or merely inquire into the fate of those who have been given the gate. This glaring lack of concern clearly indicates that **many critics of foreign child labor are more interested in protecting jobs in the United States than in improving the lot of foreign children.** They are old-fashioned protectionists who seek to disguise their odious intentions in the sweet talk of great love for children.

Their protectionist agenda also is visible in their open hostility toward "the new world order." No matter what we may think of the new order, it is preferable by far to the old order of war or preparation for war. The cataclysmic polarization between the democratic and dictatorial worlds, which generated two world wars and numerous lesser wars, has given way to the worldwide dominion of democracy under the leadership of one world power, the United States. The new order created a world of unprecedented interconnection and economic interaction. National trade barriers have come down significantly, which has led to a great extension of international cooperation and division of labor. The new information technology has brought the light of individual enterprise and the market order to all countries, and a new transportation technology has drawn them closer together than ever before.

Many millions of people in the developing countries now are laboring diligently and joyfully for Americans. Foreign and American capitalists have built thousands of assembly plants giving employment to people who heretofore had depended on charity or had toiled for mere survival. In exchange for their efforts, several million American workers have found employment in efficient American export industries. Both parties to the exchange, Americans as well as foreigners, benefit visibly from the trade. In fact, the new world order with its great improvements in the international division of labor has helped to offset the horrendous burdens placed on the American economy by the New Deal, Fair Deal, New Republicanism, New Frontier, and all other new political calamities. If it had not been for the phenomenal expansion of world trade with its new "sweatshops," many of us would be unemployed and all of us immeasurably poorer.



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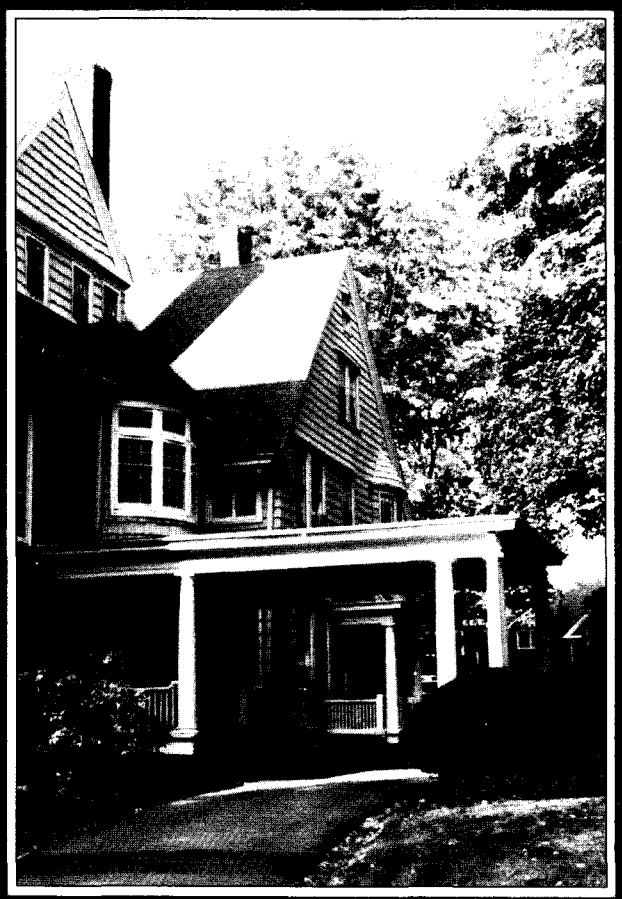

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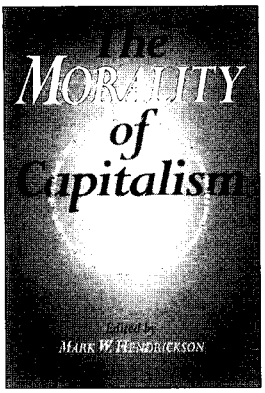

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of workers being employed to build the pyramids as well as others. Under that arrangement the pharaoh could have returned to each worker what the pharaoh determined was sufficient for minimum food, clothing, and housing needs, and retained any excess over that amount to buy materials for the pyramids and to otherwise enhance the royal treasury. By bringing everyone into the system, it could have been used to administer equality of treatment, a doctrine that usually meets with popular approval. But a freedom to work at an occupation of one's own choosing is an empty freedom if the worker loses control of the product of his work. Another difficulty in such a system is that if the fruits of one's work are not his, it is unlikely that there will be much work performed. The usual motive for working is to improve one's own well-being. And the worker might lose interest in the proceedings if it is predetermined that his well-being must consist of his delight in having a beautiful tomb for his ruling monarch.

If all this sounds too artificial or unreal, it might be helpful to look at another country. Let it be an enlightened country where the rulers, whether hereditary monarchs or popularly elected legislators and executives, have lost interest in building impressive tombs for themselves or their families. They prefer to make experimental ventures into outer space. Maybe they want to send a manned spacecraft to the moon or to some distant planet. It might be desirable for some of these fellows to go to the moon. The problem is one of finance. Who is going to pay for the trip? The fellows wanting to sponsor the trip do not have sufficient funds for the job. They do have the power to compel the workers of the country to contribute to the project whether the workers want it or not. The exercise of that power bears remarkable similarity to the using of forced labor to build a pyramid. In both cases the work and labor of the inhabitants of the country are being seized against their wills.

Some may like to distinguish the two cases by insisting that in the space project each worker approved of the expenditure by supporting the government that sponsored it. But it is also quite likely that the Egyptian was giving loyal support to his government even though he was not voting in popular elections. If that is the case, some better basis for distinction will have to be found unless the two projects are to be considered on the same basis.

Unalienable Rights

It would be dangerous to distinguish the two cases on the basis of the different types of government involved anyway. If the popular election theory is used, it would mean that any sort of tyranny against a minority is all right if it is approved by the majority. The application of that theory would amount to a restoration of the same principle that was involved in the divine-right-of-kings doctrine in its most absolute and authoritarian form. The only difference would be that the ruling authority would be the majority of the citizens rather than a hereditary monarch. But both the Declaration of Independence and the Constitution of the United States take the position that there can be no such absolute authority in a free society regardless of who is chosen to exercise that authority. The Declaration of Independence declares that the right to life, liberty, and the pursuit of happiness are unalienable. The private citizen cannot divest himself of these rights even if he tries to do so. And if the right to life includes the right to one's own body, it necessarily includes a right to the product that is produced by that body. It includes the time and the work of that body.

Although the rights to life, liberty, and the pursuit of happiness cannot be given by any government, the experience of our imperfect humanity has taught us that governments are needed to protect those rights. Since the rights themselves are inherent parts of the human creation, each human being is endowed with a natural right to defend himself. But if each individual must provide his own self-defense, he will have little time for anything else. Government then becomes a kind of organized self-defense. As soon as a government assumes the role of providing that organized self-defense, it begins to collect taxes to support itself. To that extent, the government is using force to take a part of the

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substance created by the work and labor of the individual taxpayers. To that extent, the individuals are becoming slaves. Therein lies the reason why no people can remain free unless their government remains a limited government. And unless those limits are wisely defined and clearly understood, the government is in a position to use its taxing power to establish total slavery.

Dominion

The question is one of determining who is entitled to dominion over the things being produced on the earth. And unless that dominion is left in the hands of the producer, the one who provided the time, the investment, and the other factors that went into the product, the producer is being denied the right to his own body, his own life. In essence, he becomes a slave. And whether the product seized is used to build a pyramid, finance a trip to the moon, or build a monument to a deceased head of state makes no difference.

Unless partial slavery in the form of heavy taxation is understood as partial slavery, there is always a danger of its growing into total slavery.

Current estimates show that at least one-third of the wealth being produced in the United States each year is going to the tax collector. The trend is up, not down.

Does the remedy lie in setting a limit on the purposes for which taxes can be used? The answer lies in the function of government itself. If, as we have seen, government is a kind of organized self-defense, made necessary because of our imperfect humanity's attempts to rob each other of our inherent right to life, liberty, and our own property, is any action on the part of government beyond self-defense justified?

How much farther can we go into commonly accepted areas of state activity before leaving self-defense? Is the education of either children or adults a part of this collective protection? Is it a legitimate purpose of government to gather taxes to provide medical services for all citizens, no matter how desirable that medical care might be? What about feeding and clothing less productive citizens at the expense of the more productive members of the society? Is the forced funding of a national retirement system, euphemistically called social security, necessary to insure domestic tranquility? Can any of these be defended as authentic activities of government?

If the function of government is to feed, clothe, house, and educate all citizens, and to pay for all of it by a redistribution of income in the form of taxation levied on the more productive persons, then we can discuss how this should be done. We can argue endlessly in town meetings and in the halls of Congress over trimming costs here and adding services there, cutting this benefit in order to increase some other "entitlement." And we can finally reach some uneasy compromise by which those resourceful members of the society who are forced to pay the taxes—become partially enslaved—will not become completely discouraged and quit producing. The enslavement and anger of producers must be balanced against continuation of services to other members of the society who might become outraged if services were curtailed. An angry, divided society is the inevitable outcome. We see it developing all around us.

If, however, the only function of government is to maintain an orderly society where citizens can go about activities of their choice unmolested, the considerations that appear so urgent under an income-redistribution system become moot. Businessmen and women can direct resources toward improving their businesses, incidentally creating more jobs, rather than diverting resources to activities aimed at fending off a government bent on enslaving them. The legendary generosity and compassion of Americans toward the fellow down on his luck would re-emerge when private charities no longer had to compete with forced bureaucratic largess.

Why not slavery? The most reliable method for keeping ourselves out of slavery is to demand a government that protects us from each other and from foreign enemies. And that is all. □

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THE FREEMAN
IDEAS ON LIBERTY

Ending Tax Socialism

by James A. Dorn

In 1848 Marx and Engels proposed that progressive taxation be used "to wrest, by degrees, all capital from the bourgeois, to centralize all instruments of production in the hands of the state." Although communism has failed, the idea of progressive taxation as a means of achieving "social justice" endures.

A progressive income tax violates the very heart and soul of the Constitution. Our constitutional government rests on the principles that individuals are equal under the law, that consent is the basis of just laws, and that the powers of the federal government are strictly limited. None of those principles are consistent with taxing incomes at progressively higher rates. It's time to expose the pretense of morality that is inherent in progressive taxation and to end the system of tax socialism that has eroded economic and personal liberties in the United States.

A "Calamitous Monstrosity"

Prior to the passage of the Sixteenth Amendment in 1913, the Supreme Court consistently struck down attempts to legislate a federal income tax. There was little public support for such a tax. Indeed, when the first income tax was passed by Congress in 1894, the *New York Times* called the legislation "a vicious, inequitable, unpopular, impolitic, and socialistic act," and the *Washington Post* added, "It is an abhorrent and calamitous monstrosity."

Constitutional principle and justice require that individuals be treated equally under the law and that the law itself be just. A progressive income tax, which discriminates against individuals simply because they have higher incomes, is based on an arbitrary precept that would never gain universal consent. The minority would never consent to be enslaved by the majority.

Because there is no objective way to measure social justice, there is no end to the redistribution that can occur under a progressive tax system. Under such a system, neither persons nor property are safe from the hand of the state.

In his *Constitution of Liberty*, the late Nobel laureate economist F. A. Hayek wrote, "Progression provides no criterion whatever of what is and what is not to be regarded as just. It indicates no halting point for its application, and the 'good judgment' of the people on which its defenders are usually driven to rely as the only safeguard is nothing more than the current state of opinion shaped by past policy."

Hayek was right and Marx and Engels were wrong. Yet conservatives and liberals alike fall into a populist trap by trying to justify progressive income taxation on the basis of majority rule. Elevating democratic values above individual rights to achieve equality of result, however, violates the very rules of just conduct that lie at the heart of a free society.

A flat-rate tax is consistent with the rule of law and with the principle of nondiscrimination. Everyone pays the same tax rate on their taxable income, and income from both labor and capital are treated alike—there is no

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double taxation of interest and dividends. If the flat-rate tax is applied to consumption rather than income, the current bias against saving would disappear and economic growth would increase.

One major benefit of a flat-rate tax is that it would make the cost of government expansion visible to all taxpayers, especially if government were required to balance its budget each year. There would be a built-in incentive to compare the costs and benefits of new government programs.

Under progressive taxation, on the other hand, there is a constant temptation to raise tax rates on productive citizens to pay for new programs. At the limit, persons with high incomes may face a marginal tax rate of 100 percent, while those with low incomes pay nothing. (During the 1950s marginal tax rates exceeded 90 percent in the United States.) That's tax socialism in spades.

Progressive taxation is not a virtue but a vice. It presumes that the property rights of the wealthy are not as sacred as the property rights of the poor, and that the values of the majority are superior to the rights of the minority.

Those who support progressive taxation pretend to be on the moral high ground but, in fact, they have no ground to stand on. Envy, not justice, is at the root of the argument for discriminatory taxation. If we let constitutional principles be eroded by majority rule, in the name of social justice, then both freedom and true justice will be lost.

"Law is the bond of civil society, and justice is equality under the law," wrote Cicero. If we are to restore civil society and move from tax socialism to tax justice, we need to abolish progressive taxation, institute a fair flat tax, and limit the size of government. Otherwise class warfare and welfare will prevail. □

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THE FREEMAN
IDEAS ON LIBERTY

For Appearance's Sake

by James D. Saltzman

Don't let people control the appearance of their property. That's the view of Montgomery County (Texas) Judge Alan "Barb" Sadler. During the spring of 1995, he proposed a law to restrict commercial signs on strips of privately owned land along rural highways in his county. Mr. Sadler decried the "general decay of the area, and by decay I mean unlimited signage.... It's a classic case of private property rights versus beautification and environmental concerns."[1]

This belief that private property rights compromise a "public interest" in "beautification" has generated a host of legal procedures allowing the government to veto an owner's wishes for the appearance of his property. There are ordinances to prescribe landscaping, boards to oversee alterations to "historic" buildings, bodies to govern changes to trees, committees to dictate the design and color of new buildings, commissions to restrict "eyesores" such as strip shopping centers, and laws—as were proposed in Montgomery County—to prohibit such forms of "visual pollution" as billboards and other types of outdoor advertising.

Beautification Without Coercion

All too often, supporters of such regulation presume that private property ownership threatens beautification. But is that a fair assumption? Consider the case of trees in Houston. Other cities like Charlotte, North Carolina, and Austin, Texas, have statutes controlling alterations to privately owned trees. In March of 1996, Houston passed such legislation to calm the fears of some politicians and citizens that private property owners—particularly commercial developers—were tearing down too many trees. As one angry citizen wrote to the *Houston Chronicle* (December 1, 1994), "We don't need our day ruined by a greedy jerk with a chain saw."

However, in Houston developers and other private owners have had their way with trees for over 100 years. The result? As another writer to the *Chronicle* (November 20, 1994) pointed out, "[o]ne has only to go to the top of any tall Houston building, look all four ways and admire the forest within the city of Houston, and realize they were nearly all planted by property owners and developers without the help of government or complainers." That's right. A forest. Though Houston has undergone decades of the intensive commercial development that frightens supporters of tree preservation, the city remains blanketed by trees.

It wasn't always. Before private development, Houston contained large areas virtually without trees. One such area included Rice University, in a section of Houston now extensively developed and filled with trees. A July 25, 1996, article in the *Rice News* pointed out that "[p]hotos from the turn-of-the-century show campus grounds as a coastal prairie where trees were the exception not the

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rule." In fact, much of Houston was once part of what the article calls "bald prairie," prime grazing land in frontier days.

But with extensive private development—both commercial and residential—came trees.[2] For example, the December 1995 issue of *Bellaire Monthly* shows before and after photographs of the same street in Meyerland, one of Houston's most upscale neighborhoods, first developed in the 1950s. The first photograph shows the neighborhood brand new—and bereft of trees except for a sapling or two in each front yard. In the second photograph, shot from the same location and angle approximately 40 years later, it's hard to see the houses because of all the mature trees.

That's not surprising because trees improve the value of property 3 to 5 percent for single-family residential tracts, according to one study cited in a November 13, 1994, article in the *Houston Chronicle*. The article also pointed out that The Woodlands, a privately planned and developed community 30 miles north of Houston, has been "the top selling new home community in the Houston area in the 1990's." Why? "The Woodlands leaves large stands of trees and undisturbed forest underbrush throughout the project," according to the *Chronicle*. As one spokeswoman for the Woodlands explained: "When we do surveys, the No. 1 reason people move here is the vegetation and trees."

In other words, private property rights encourage improvements in the appearance of what people own because the owners benefit. As economists James D. Gwartney and Richard L. Stroup explain: "If private owners fail to maintain their property or if they allow it to become abused or damaged, they will bear the consequences in a decline in the value of their property.... With private ownership, wise stewardship is rewarded.... Private owners can gain by figuring out how to make their property and its services more attractive to others." It's just common sense. The people crowding into Home Depot on weekends to buy paint or shrubs aim to make their property look better, not worse.

And what of the homeowner who worries about the tastes of his neighbors? He can choose to buy property in a neighborhood with aesthetic controls enforced through private contracts known as deed restrictions.

Such restrictions, also known as restrictive covenants, are usually initiated by developers to blanket entire subdivisions. The restrictions are enforced by homeowners' associations, and residents of the subdivision typically have the opportunity to vote periodically, often every 20 or 25 years in Houston, to reinstate, revise, or even cancel the restrictions.

And these rules have teeth. A June 3, 1993, article in the *New York Times* reported that one homeowners' association in Seattle successfully sued a husband and wife for painting their house an unapproved color. These defendants, "under a court order and facing the threat of imprisonment or fines of up to $2,000 a day... finally agreed to repaint their house. They... already had their wages and checking account garnisheed and a lien put on their home."

And according to the article, paint color is not the only exterior feature that private controls can regulate. Under deed restrictions, homeowner groups can "control a myriad of things, from how often homeowners must mow their lawns to whether to allow basketball hoops in the driveway" and even "that old cars cannot be left in the driveway ... and that trailers, boats and motor homes must be stored out of sight."

Deed restriction can also govern fencing, flagpoles, the types and configuration of bedded flowers, and even architectural features, such as façades and the number of stories. On September 7, 1986, the *Houston Post* explained how a Houston couple was prevented by their civic club from adding a residential second story to their home.

Yes, deed restriction enforcement can be harsh on non-conformists, but non-conformists need not buy into a restricted neighborhood in the first place. As an attorney told *The American Legion* (February 1996), "These agreements are voluntary contractual arrangements where you have agreed that this is how you are going to live." As they shop around for property, home buyers can choose how much "aesthetic protection" they desire, without the government deciding for them.

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Private controls over the appearance of property, however nitpicky, operate through elective contracts with terms explicitly spelled out.

Government Run Amok

Meanwhile, the government's controls operate through coercion. Everything is up for grabs. Just ask Stephen Page.

According to his article in the *Wall Street Journal* (December 24, 1994), he had bought a 1.08 acre lot on the seaward side of the Monterey Peninsula in Pacific Grove, California, in 1991 to build his "dream house." But rather than a dream the city's design review process gave Mr. Page a nightmare.

"Over a two year period," Mr. Page recalled, "we endured 20 public hearings regarding the size, shape, height, siting, texture, materials, and color of our proposed residence." During one of 11 public hearings with the Pacific Grove Architectural Review Board, a commissioner objected to Mr. Page's plans for the design of his house because "[i]n my former life as a seagull, I was flying up and down the California coastline and saw your house built shaped as a seashell, built out of driftwood and feathers, with the aperture facing out to sea."

Apparently, Pacific Grove leads the country in protecting the feelings of reincarnated seagulls from the aspirations of property owners.

To appease the city's wishes for a smaller house, Mr. Page shrank his request for a 4,200-square-foot residence to 3,600 square feet. But then the Pacific Grove Planning Commission and City Council reduced it to a 1,900-square-foot house with a 600-square-foot garage, hardly enough space to justify Mr. Page's investment at that point of "approximately $1.4 million" for "the lot and carrying costs to date." When the Planning Commission chairman was asked to justify the 1,900-square-foot figure, he replied, "I pulled the number out of a hat."

After two years of hearings, Mr. Page sued the city to gain his development rights. A year later the city backed off and voted to allow Mr. Page to build a 3,680-square-foot house with a 600-square-foot garage.

Mr. Page's story shows how capricious and cruel government inevitably becomes when it sees its purpose—sees justice—not as protecting individual liberties but as trashing them for some crusade like making the community "look right." As Frederic Bastiat points out in *The Law*:

> The mission of the law is *not* to oppress persons and plunder them of their property, even though the law may be acting in a philanthropic spirit. Its purpose is to protect persons and property. . . .
>
> If you exceed this proper limit—if you attempt to make the law religious, fraternal, equalizing, philanthropic, industrial, or *artistic* (emphasis added)—you will then be lost in uncharted territory, in vagueness and uncertainty, in a forced utopia or, even worse, in a multitude of utopias, each striving to seize the law and impose it on you. This is true because fraternity and philanthropy, unlike justice, do not have precise limits. Once started, where will you stop? And where will the law stop itself?

Perhaps at requiring you to dole out an extra $3,400 to put a wall around your yard.

That happened in Galena, Illinois, where historic preservation rules would not let Jim Holman build the wall with $200 worth of railroad ties. Only a stone wall costing at least $3,600 would suffice, the *Houston Chronicle* (November 25, 1989) reported.

Yes, for appearance's sake, it's easy to spend someone else's money. In Seattle in 1993, Zymogenetics Inc., a biotech company, had spent $25 million renovating the city's defunct steam plant into a laboratory. But the building was a designated landmark, so the city's historic preservation officials forced the company to shell out an additional $500,000 "to add half a dozen fake smokestacks" to resemble the ones that had been part of the original structure, according to the *Wall Street Journal* (September 19, 1995).

Dictating how private property should look is also a good way to encourage people you don't like to leave your community. In Flossmoor, Illinois, that meant cracking down on owners of pickup trucks. In this town of 8,000 just south of Chicago, the open display of

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pickups by the town's blue-collar residents offended an affluent elite. So the village passed "an ordinance that bans the parking of pickup trucks in one's driveway or on the street." As one resident of Flossmoor for 32 years told *Insight* magazine (May 21, 1990), "I moved to this community because it was beautiful, quiet, upper-class. . . . If they want a pickup truck and there's an ordinance in the village that says you cannot have one on your property, then go live somewhere else." But given that there was no such ordinance when they moved in, why should the pickup owners be the ones to relocate, rather than those who wish to avoid seeing pickup trucks?

In 1990, people who lost their homes to the Painted Cave fire in California weren't told to relocate. They were only not to rebuild without meeting Santa Barbara County's exacting standards for architectural correctness. Although they eventually settled for dictating detailed landscaping plans to him, county officials initially told fire victim David Pritchard that he could not "replace the house he had completed just seven months earlier" because it had been too tall.

At one meeting, Mr. Pritchard explained that before burning down, his hillside home had blocked the view of no neighbor. But a planning commissioner replied that allowing him to rebuild his home as tall as it had been would allow it to be "in view of everybody who drives up [Highway] 154."

Fostering Censorship, Thwarting Consumers

That's a typical excuse for censoring how someone thinks his property should look: It might offend the tastes of someone else. But is this a good reason for the government to regulate what we see? As Bernard Siegan notes in his book *Land Use Without Zoning*:

> People differ greatly in their perceptions and concepts of beauty, and this makes it most unfair and perilous to progress to allow any one person or group to impose aesthetic controls. History readily bears out that society will be enriched by being subjected to a great variety of artistic or visual experiences; modern culture is enormously indebted to creations that were highly unpopular and virtually subversive in the past.

Controls on the appearance of property allow intolerance to masquerade as high-mindedness, stifling innovation and creativity.

In Siegan's view, a historical preservation commission that stops controversial buildings is engaging in a kind of censorship, no more justifiable than censoring controversial books or museum displays. The result is that "we may be creating through [land-use] regulation a society in which aesthetic diversity is highly limited."[3]

And in revoking the right of citizens to determine the appearance of their property, the government only weakens general consumer welfare. When the New York City Landmarks Commission vetoed the building of a tower over Grand Central Terminal, it also vetoed the interests of the tower's potential residents and of the surrounding businesses that would have served those residents. As Siegan has remarked elsewhere, "the aesthetic ideals of a publicly appointed body" were allowed to "deny material comforts to a significant segment of the community." Only individuals exercising their private property rights, not government committees exercising dictatorial powers over property, can satisfy the widely diverse tastes and desires of people.

Take strip shopping centers. Advocates of aesthetic control may condemn them as "eyesores" and seek to use zoning to prevent their construction. Yet the outlets they contain—laundromats, convenience stores, repair shops—serve the needs of the "poor and less mobile in the population."[4]

Or take billboards. Scenic America, a national lobbying organization devoted to "cleaning up visual pollution," dismisses billboard advertising as "a parasitic industry benefitting a small interest group at enormous cost to the public," according to the group's "Sign Control News" (March/April 1990). In fact, outdoor advertising benefits consumers by increasing business rivalry. Roadside signs are often the cheapest way for new business to challenge more established firms for the pa-

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tronage of customers. Billboard price advertising allows consumers to find lower-priced gasoline more easily, reducing the average price paid.[5] In others words, billboards and other commercial signs exist, not because a "parasitic" outdoor advertising industry forces them onto an unwilling public, but because these media provide information consumers desire.

Sorry, Charlie

A free market ruled by consumers is not what Scenic America wants. Neither do other advocates of coercive controls on the appearance of property. Unfortunately, Prince Charles of England is such an advocate.

According to the November 5, 1988, edition of *The Spectator*, "Prince Charles does not like tall buildings." When viewing the plans for an 800-foot skyscraper, Prince Charles asked the architect, "Why does it have to be quite so tall?"

The answer is simple: Because the developers think enough consumers want to purchase or lease space in a building that tall. Individuals who must bear the economic consequences of what they do with their property are competent to decide how it should look. □

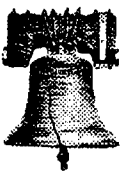
1. Paul McKay, "Sign, sign everywhere a sign . . ." *Houston Chronicle*, June 4, 1995, p. 33A.

2. See Ralph Bivens, "A growing conflict" in the *Houston Chronicle*, November 13, 1994, p. 1E. This study of the tree controversy in Houston shows how commercial developers often save trees to enhance their company's image or to improve the value of property they own. The article says that merchants in shopping centers worry that keeping too many trees will prevent potential customers from seeing their stores. However, the article shows how one developer saves trees from a commercial project to transplant elsewhere on the same site or move the trees to a residential project with the hope of making the area more attractive to home buyers. The article also alludes to the fact that Houston has many office parks extensively adorned with trees.

3. Bernard H. Siegan, *Land Use Without Zoning* (Lexington, Mass.: D.C. Heath and Co., 1972), p. 143.

4. Siegan, p. 143.

5. Countering claims that billboard advertising—or other advertising—of alcohol and tobacco could contribute to the public health problems associated with increased consumption of those products, Ekelund and Saurman note that the "1971 ban on the broadcast advertisement of cigarettes apparently had only a small effect on overall consumption." Moreover, advertising restrictions for such controversial products retard the introduction of their safer versions, as the "ban on TV cigarette advertising slowed the introduction of low-tar and low-nicotine cigarettes." See Robert Ekelund and David Saurman *Advertising and the Market Process* (San Francisco: Pacific Research Institute for Public Policy, 1988), pp. 149, 137.



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Our Most Precious Resource

by Earl Zarbin

More often than I can recall, I have heard people, especially at school graduations, say that "children are our (the nation's, the country's) most precious resource."

This declaration always chills me. Children are not a resource, metaphorically or otherwise. Children are growing, maturing people, dependent upon their elders for moral, spiritual, ethical, and practical guidance. They are not something to be shaped, fabricated, or spent in the manufacturing, production, or political process.

Children are not the resource of either the nation or parents. Children are individualistic souls with the ability to exercise their own free will. In formative years, when they are subjected to the wisdom, or lack thereof, of parents and others, their judgment likely will reflect immaturity. It is to be hoped that by the time they reach adulthood they will know enough to make choices that will enhance rather than injure themselves. In any event, they are likely to make some good decisions and some bad ones, just as the rest of us do. The most that we can ask of young individuals is that they extend to other people the degree of respect and appreciation they want for themselves. If they do, chances are excellent that as young adults they will fit readily into the larger community.

Children are not the nation's to mold. They are born with no debt, obligation, or other service to the state or to the government. (There is, of course, the politically created national debt that will be paid in taxes, inflation, or be repudiated, but that is not the subject of this essay.) They will learn soon enough that there are adults who would use, abuse, and corrupt them in the name of the mystic nation or state. There is no antidote to this beyond training children and adults to understand that their liberty and freedom may depend upon uniting to resist oppression and oppressors.

Nor do parents possess children except in the familial sense of accepting responsibility for the physical and spiritual nurture of their offspring until they are ready to take responsibility for themselves. It is the duty of parents to direct their children toward understanding and acceptance of this responsibility.

It should be clear that children are not possessions, they are not property, they are not someone's resource. But what children are, and what they become, is to considerable measure dependent, at least initially, upon the condition of their progenitors.

If parents are schooled and believe in freedom, it is likely their children will, too. The reason should be obvious: the superiority of freedom as a way of life exceeds by far any other choice or means of existence. It is only as free, independent, thinking people that we can cooperate voluntarily and aspire for truly decent lives.

We are born of woman to be no man's, no woman's, no country's, no nation's resource, property, or servant. With that understanding, it is easy to see that our most precious resource is freedom. □

Mr. Zarbin, a retired newspaperman, does historical research and writing in Phoenix, Arizona.

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Externalities and the Environment

by Andrea Santoriello and Walter Block

We operate under a free enterprise economic system that produces plastic milk jugs and redwood picnic tables. The market is therefore responsible for such environmental problems as too much plastic trash and too little conservation of forests. So goes a common belief, anyway. In fact, it is governmental failure to maintain and defend the institutions of a free market that is responsible for the environmental damage caused by private businesses.

In the case of solid-waste management, plastic companies and their customers escape from the cost of disposing of plastic after the consumer is finished with it.[1] This is because most garbage collection is organized through the public sector. The cost of disposing of the plastic and the other waste is undertaken by the government, and a citizen is typically taxed without regard to the amount of trash he generates. Once the citizen pays his taxes, he has no incentive to choose environmentally sound goods because disposal costs are in effect free to him.

If, instead, there were complete privatization of the garbage disposal industry, those who generate trash would directly pay for disposal costs. The owner of a private dump tends to charge tipping fees that vary with different kinds of trash. The price will be significantly higher for material that creates toxic waste[2] because the dump owner will be liable for any harmful leaks from his site. The hauling firm, which collects the garbage from the homeowner and must pay the tipping fee, will pass the price onto consumers. Consumers, knowing that they will have to pay more for the disposal of more plastic, will tend to substitute toward less costly, and thus more environmentally sound, containers. In the jargon of economists, the "negative externality" will disappear; the cost of trash disposal will be "internalized," brought to bear on the responsible parties.

It is clear from this example that the negative externality currently related to solid-waste management is a governmental failure, rather than a market failure. By not allowing the free market to operate, the government pushes the costs of waste disposal onto the taxpayers. In a free market the price system accurately enables us to compare resources to determine which courses of actions are most economically and ecologically sound.[3]

Critics argue that the market fails to consider environmental concerns. In *Making Peace With the Planet*, Barry Commoner insists that the free-market system conflicts with a social concern for environmental quality, and thus argues that ecologically sound production decisions must be implemented through planning.[4] Commoner fails to realize that when we turn away from the market, we are unable to compare resources and their values. Nor does he realize that the incentive

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structure in the political sector fosters an economically unsound approach to the environment.

The distorted incentives that operate in the public sector are responsible for many of our forest removal and logging problems. The difficulty stems from the fact that 42 percent of all U.S. land is owned by government.[5] The public forestry services do not operate by maximizing the value of "their" resources. Rather, they subsidize special interest groups who in turn support public ownership. For example, the U.S. Bureau of Land Management (BLM) uses a method known as chaining, which uproots trees, leaving holes and unsightly tracks, to remove trees from grazing lands. Although this costly method is seldom practiced in the private sector, the BLM has no incentive to minimize costs. It maximizes its budget by providing subsidized grazing rights for ranchers who in turn lobby for BLM expenditures.[6] The U.S. Forestry Service subsidizes logging companies to cut down trees on public lands by building logging roads for them.[7] The private firms thereby shift some of the costs of logging onto the public. Again, prices do not reflect the full costs of environmental destruction. Certainly if the business firms actually owned the land, they would better care for it because abusing it would reduce their prospects for future income.[8]

Government ownership of so much land artificially encourages logging for another reason as well. Private firms with large landholdings are discouraged from using them for hunting or recreational purposes; the government provides parks for these purposes at a zero or nominal price. In the national forest surrounding Yellowstone National Park, the Forest Service charges no user fee for elk hunting. This reduces the value of elk resources on private land and discourages private firms from devoting their forests to hunting rather than logging. The low level of private development of recreational land is likewise due to the minimal prices the federal government charges for use of its recreational facilities.[9]

Unfortunately, because the federal government owns the land, environmental groups generally have to work through the political sector. They lobby to persuade the government to preserve land, in conflict with the opposing special interests of logging, ranching, and extraction industries. If the demand for environmental amenities were instead channeled through the marketplace, tremendous progress would be possible.

Voluntary trade allows for creative deals in which all parties gain, or else the trade does not take place. If current leasing arrangements were changed, environmental groups could bid to purchase or lease public resources.[10] On land that becomes their property, they can either preclude development entirely, or sublease the land for development on their own terms. When natural gas was discovered in the national Audubon Society's Rainey Wildlife Sanctuary in Louisiana, for example, the group itself faced the tradeoff between strict preservation and drilling income, and struck a balance that allowed drilling under specified environmental conditions. The Audubon Society received royalties, which gave them the funding to purchase still more land for preservation.[11] In this case both the Consolidated Oil and Gas Company and the Audubon Society gained. Economic efficiency and environmental interests were both served.

The key to environmental protection is a free market with defendable and transferable property rights. □

1. William Rathje, "Rubbish," *Atlantic*, December 1989, pp. 99–109, calls this assumption into question.
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3. Walter Block, "Environmental Problems, Private Property Rights Solutions," in Block, ed., *Economics and the Environment: A Reconciliation* (Vancouver, B.C.: Fraser Institute, 1990), p. 287.
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5. Progressive Environmentalism Task Force Report, p. 27, National Center for Policy Analysis, Dallas, Tex., 1991.
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8. Terry L. Anderson and Donald Leal, *Free Market Environmentalism* (San Francisco: Pacific Research Institute for Public Policy Research, 1991), p. 71.
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10. *Ibid.*, p. 93.
11. *Ibid.*, p. 90.

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THE FREEMAN
IDEAS ON LIBERTY

Raoul Wallenberg, Great Angel of Rescue

by Jim Powell

How can a single individual fight tyranny? What can be done for liberty against overwhelming odds? There are few stories as stirring as that of Raoul Wallenberg.

He defied the evil forces of Adolf Hitler and Joseph Stalin, two of history's worst mass murderers. He confronted racists, torturers, assassins, and even Hitler's chief executioner, Adolf Eichmann, while saving almost 100,000 lives. More astounding, he saved lives inside enemy territory, since escape was impossible. He was armed only with a pistol, which he never used.

Working in Nazi-controlled Hungary, Wallenberg liberated thousands of Jews from boxcars bound for the gas chambers. He pulled Jews out of the death marches. He saved Jews from being shot and dumped into the Danube. He singlehandedly thwarted Nazi plans to massacre 70,000 Jews remaining in the Budapest Central Ghetto.

After the Red Army captured Budapest, Wallenberg was taken away by Stalin's dreaded NKVD secret police. Apparently they tortured him and tried to turn him into a Soviet spy, but he remained defiant.

Wallenberg, greatest libertarian hero of the twentieth century, vanished into the wretched Soviet gulag and continues to be an agonizing mystery today. But for people around the world, he is the Angel of Rescue, and the mere mention of his name brings tears.

Wallenberg certainly didn't look like the stuff that heroes are made of. He was medium height with brown eyes, a large nose, small chin, and receding curly brown hair. Tibor Baranski, an associate, described Wallenberg as "a thin man, rather shy, and virtually fearless. He dressed elegantly and was always clean-shaven."

Björn Burckhardt, who had met Wallenberg in South Africa, described him this way: "Raoul did not do things in a normal manner. His way of thinking was so winding and involuted. But his intellect impressed everyone. And he could outtalk anyone. Perhaps his greatest asset was his charm, which influenced people to respect him."

Wallenberg, recalled Swedish diplomat Per Anger, "was not a superman type. We met in Stockholm some years before he came on his mission to Budapest in 1944, and we became very good friends. I learned to know Raoul more as an intellectual. . . . He spoke with a soft voice and sometimes looked like a dreamer. . . . It did not take long, however, till you discovered that he had a remarkable inner strength, a core of fighting spirit. Furthermore, he was a clever negotiator and organizer, unconventional, and extraordinarily inventive. I became convinced that no one was better qualified for the assignment to Budapest than Raoul."

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Raoul Gustaf Wallenberg was born August 4, 1912, in his maternal grandparents' summer home on Kapptsta, an island near Stockholm. He descended from a long line of Lutheran capitalists who built banks, factories, ships, and railroads—some 50 businesses altogether. His father Raoul Wallenberg, Sr., a 23-year-old naval officer, died of abdominal cancer three months before young Raoul was born. His mother, Maj Wising, was the great-granddaughter of a Jewish jeweler.

Raoul's paternal grandfather, Gustaf Wallenberg, Swedish ambassador to Turkey, became his mentor. Gustaf was an individualist, an entrepreneur, and a free trader who believed people should be bound together by peaceful commercial relations rather than military alliances.

Gustaf arranged for Raoul to broaden his vision by spending summers in France and Germany, and he learned French and German as well as English. To better understand America, Raoul enrolled at the University of Michigan, where he earned an architecture degree in 1935. Then Gustaf arranged for the young man to serve as an intern with the Wallenberg family bank in Capetown, South Africa, where Raoul discovered that banking wasn't for him. After six months, he became an intern with a Dutch business in Haifa, Palestine. He heard European refugees tell horrifying stories of Nazi barbarism. "I think I have the character for positive action rather than to sit at a desk and say no to people," he wrote Gustaf.

An Unpromising Future

Back in Stockholm, Wallenberg seemed destined for failure. He unsuccessfully tried his hand as an architect, an importer, and a speculator. Discouraged, he asked his father's cousins, Marcus and Jacob Wallenberg, about a job at their Enskilda Bank, but they vetoed the idea.

Gustaf Wallenberg died in March 1937, leaving Raoul without a sponsor. He soon discovered that each branch of the Wallenberg family protects its own kin but not the others. His mother, who had remarried health services administrator Frederik von Dardel, wasn't in a position to help.

Wallenberg heard about a job with Kálmán Lauer, a Hungarian Jew whose Stockholm-based company Mellaneuropeiska Handelsaktiebolaget (Middle European Trading Company, or Meropa as it was called) mainly shipped grain, chickens, and goose-liver pâté from Hungary to Sweden. Since Hungary had allied itself with Hitler in 1941, Lauer couldn't safely travel through Europe, so he needed a Gentile fluent in the major European languages and adept at negotiation. Wallenberg went to work. While traveling through Germany and occupied France, Wallenberg became skilled at negotiating with Nazis. And through Lauer's family, he got to know the Budapest Jewish community.

"The Final Solution"

January 20, 1942, in a villa at 56 Am-Grossen-Wannsee, Wannsee, a town outside Berlin: a key meeting of high-ranking officers of the SS, Hitler's elite secret police. Among those present were General Reinhard Heydrich and SS Lieutenant Colonel Adolf Eichmann. They agreed it wasn't practical to rid Europe of Jews through emigration. The Jews had to be deported east and exterminated. In his conference notes, Eichmann described this as "the final solution." The killing agent would be Zyklon B, a compound of hydrogen and cyanide which had been developed to kill rodents. It turns into lethal gas at room temperature. Orders went out to build gigantic gas chambers.

The Allies soon learned about these plans, but they did little. President Franklin Roosevelt rejected pleas that Allies should take direct action against the Nazi extermination campaign. Convinced that winning the war was the fastest way to stop the Nazis, Allied military leaders claimed they couldn't afford to divert any forces—even though U.S. bombers flew right over Auschwitz and hit other targets only five miles away. By 1944, the only European Jewish community that hadn't been wiped out was in Hungary, an Axis power which still retained some independence from Germany. Following German losses on the

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eastern front, Hungarian diplomats started sounding out the Allies for an armistice. This would have cut off Germany from its Axis allies Romania and Bulgaria—and from vital oil supplies. Accordingly, Hitler ordered his soldiers to occupy Hungary on March 19, 1944.

Among the arrivals was Adolf Eichmann, who came with a mile-long column of his special forces. Eichmann headed the Gestapo's Section IV B4 (Jewish affairs) and organized the extermination of Jews in Germany, Austria, and Czechoslovakia. If Nazi political wrangling hadn't gotten in the way, he would have exterminated Jews in Poland, too. He had developed a four-step killing process: mark Jews by requiring them to wear yellow Star of David patches on their outer garments; collect Jews from their scattered residences, commonly in the middle of the night; isolate Jews in ghettos; and, finally, deport them to the death camps.

Eichmann didn't want Jews to panic and disrupt his plans before he was ready, so he ordered leading members of the Budapest Jewish community to form a "Jewish Council." He told them what they desperately wanted to hear: "I will visit your museum soon, because I am interested in Jewish cultural affairs. You can trust me and talk freely to me—as you see, I am quite frank with you. If the Jews behave quietly and work, you will be able to keep all of your community institutions."

On May 15, 1944, the death trains began rolling to Auschwitz. There were as many as five trains a day, each with about 10,000 Jews. By mid-June, 147 trains had taken 437,000 Jews. "It went like a dream," Eichmann bragged.

At last, the Allies stirred. Western diplomats pressured Hungarian representatives. The Pope urged the 75-year-old Hungarian Regent Miklós Horthy to stop the slaughter. The American Air Force and Britain's Royal Air Force bombed Budapest. None of these external methods worked.

Roosevelt approved an effort to save some Jews by working within Hungary. Funding would be provided through the War Refugee Board, but Americans, as belligerents, couldn't operate openly behind enemy lines. The War Refugee Board's representative in Sweden, Iver Olsen, was assigned the task of finding somebody from a neutral country. This person had to be a Gentile, fluent in European languages, capable of dealing successfully with the Nazis—and unimaginably courageous. Olsen heard Wallenberg's name in the elevator of the eight-story building on Strandvagen Street where American diplomatic offices were located. He heard it from Kálmán Lauer, whose import-export company's offices were in the same building. Olsen arranged a meeting and was impressed with the 31-year-old Wallenberg's passion and apparent ability to size up people quickly.

Wallenberg didn't get much guidance, because nobody knew exactly what would be involved. He spelled out his terms. He must have diplomatic status—he was named Second Secretary of the Swedish legation. He could send his own messages by diplomatic courier. If funds provided by the U.S. War Refugee Board and the American-Jewish Joint Distribution Committee were inadequate, he could raise funds by other means. He could contact anyone including the ruler of the country and the anti-Nazi underground. He could use whatever means he considered necessary, including bribery. He could provide asylum to persecuted people with Swedish documents. After these terms were accepted, Wallenberg spent 48 hours reading diplomatic messages between Stockholm, Washington, and Budapest.

On July 6, 1944, Wallenberg caught an airplane from Stockholm to Berlin, and two days later was on a train for Budapest. His train probably passed the 29-boxcar train carrying the last of Hungary's rural Jews to Auschwitz.

According to Nazi statistics, there were about 230,000 Jews left in Budapest. Eichmann relished the prospect of shipping them out in a few days, but Regent Horthy still retained nominal independence from Germany, and he suspended the deportations. While he was certainly anti-Semitic—he had approved laws persecuting Jews—he feared execution as a war criminal by the Russians advancing in the East or the Americans and English who had landed in Normandy.

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Wallenberg's Mission Begins

Wallenberg arrived in Budapest July 9. The city had representatives from five neutral nations—Portugal, Spain, Switzerland, and Turkey, as well as Sweden. There were also representatives from the International Red Cross and the Pope. Some of these had already made limited efforts to save Jews. The Swedish representative had issued about 650 protective passes to Jews who could document family or business connections to Sweden. The Swiss issued several hundred emigration certificates to British-controlled Palestine, although it was impossible for these people to leave Budapest.

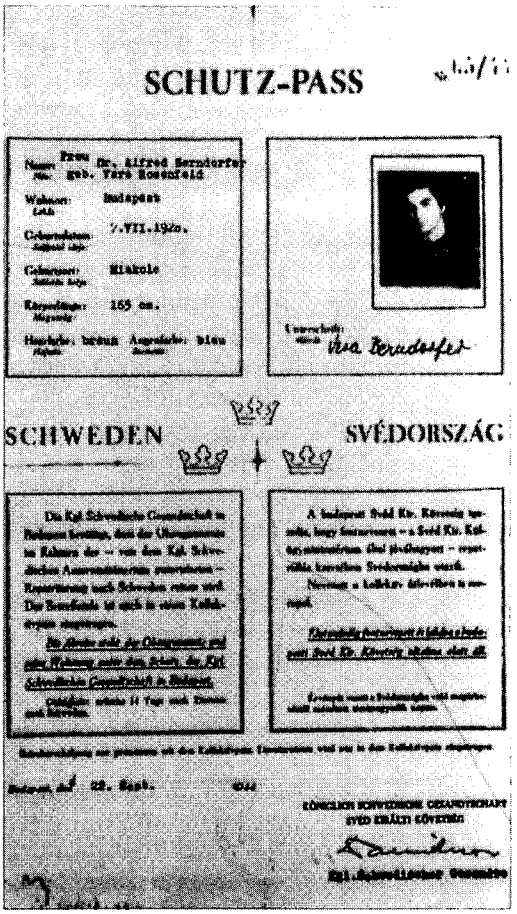
Wallenberg spent a couple of weeks getting to know the Jewish community better, finding recruits, and building an organization. Budapest Jews were so demoralized, and Wallenberg looked so unfit for the task, with his fresh face and clean-cut dark blue suit, that he had considerable difficulty persuading people they could help themselves.

Wallenberg recognized there were several ways he could appeal to those in power. First, Horthy's puppet regime did want the legitimacy that comes with international acceptance. Second, Swedish representatives handled Hungarian and German business in several countries. Third, many in the regime feared possible execution by the Allies after the war. Finally, there were many others whose cooperation could be bought with food or cash bribes.

Wallenberg took immediate steps to make his mission look impressive. He designed a *Schutz-Pass* certificate which was much snazzier than the drab Swedish passport. He gave it an official-looking triple crown of the Royal Swedish government. He had it printed in Sweden's colors, yellow and blue. He embellished it with seals, stamps, and signatures.

These passes suggested the holder had some kind of connection to Sweden and intended to leave Hungary for Sweden. Until that could happen, the holder was under the protection of the Royal Swedish Legation.

Although these *Schutzpässe* had no standing in international law, they worked. One of Wallenberg's drivers noted that he "understood the German mentality. He knew that Germans reacted to formal documents and authority."



One of the *Schutzpässe*, designed by Raoul Wallenberg, which helped save thousands of Jews from the Nazi death camps.

Courtesy of Raoul Wallenberg Committee of the United States.

It's likely, too, that the Nazis tolerated the passes as long as they affected a minority of the Jews. The Nazis probably figured they could disregard the passes whenever they wished, but Wallenberg's strategy was delay. With the Allies winning the war, he believed that the longer people could be maintained under Swedish protection, the more survivors there would be.

Wallenberg got permission from the Hungarian Foreign Ministry to issue 1,500 *Schutzpässe*, but he kept after officials there, and they upped his quota to 4,500. Eventually, he issued over three times that many.

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But Jews couldn't leave Budapest, and their situation became ever more desperate. Wallenberg stockpiled food, clothing, and medicine. He built up a staff of around 400 people with shifts working around the clock, and they established medical facilities, nurseries, and food distribution points.

Wallenberg versus Eichmann

Wallenberg feared that Horthy's order suspending the deportations wouldn't last long, so he tried to get as many Jews as possible under international protection. He needed housing. This meant dealing with Eichmann, who controlled properties taken from Jews. Eichmann liked to spend evenings at Budapest's mirror-lined Arizona nightclub, and Wallenberg observed him closely there—and twice bribed headwaiters to seat him at a table next to Eichmann. Then Eichmann proposed a get-acquainted discussion. Wallenberg explained that he wanted about 40 Budapest buildings for his operations. Eichmann asked how much he would pay, and Wallenberg replied the equivalent of $200,000 in Swedish kroner. Eichmann scoffed at such a low price for Jews, but he was willing to talk, because from his standpoint wherever the Jews lived, he would get them.

Wallenberg ended up renting 32 Budapest buildings, each displaying the Swedish flag. They became the core of the "international ghetto," which eventually accommodated some 50,000 Jews. Usually, they were moved in under the cover of night, so the individuals would be less vulnerable to attack, and the government wouldn't be aware how many Jews were sheltered. Wallenberg provided food for these people. He maintained hospitals on Taytra and Wahrmann streets, serving 200 patients at a time.

He hit on a brazen strategy which saved more and more Jews from the death trains. As one of his drivers explained: "Raoul usually had with him a book with names of passport holders. Sometimes the book had all blank pages. When he arrived at the train, he then made up Jewish names and began calling out. Three or four usually had passports. For those who didn't, I stood behind Raoul with another fifty or more unfilled passports. It only took me ten seconds to write in their names. We handed them out calmly and said, 'Oh, I'm terribly sorry you couldn't get to the legation to pick it up. Here it is. We brought it to you.' The passport holder showed it to the SS and was free."

On October 15, 1944, Horthy announced that his government was negotiating with the Russians for an armistice. This news triggered a Nazi coup. Horthy was out, and fanatical Arrow Cross (Hungarian fascist party) head Otto Skorzeny was in command. He ordered that the deportations of Jews be resumed. Wallenberg's whole campaign was in jeopardy. He redoubled his efforts.

"I was forced out of one of the Swedish safe houses and taken to a brick factory yard," Ferenc Friedman remembered. "It would be only minutes before we boarded the death trains. Suddenly two cars drove up. There was Wallenberg in the first one, with Hungarian officials and German officers in the second car. He jumped out, shouting that all those with Swedish papers were under his protection. I was one of 150 saved that day. None of the others ever came back."

Dr. Stephen I. Lazarovitz described what it was like to be saved by Wallenberg: "I was an intern, just before my final exams. When the Arrow Cross came to power I was not allowed to continue my studies and was drafted to a forced labor camp in Budapest. On October 28 we were yanked to the freight railway station of Józefváros, where we boarded the freight wagons. The doors of the wagons were locked from the outside.

"Suddenly two cars drove up between the railway tracks. Wallenberg jumped out from the first car, accompanied by his Hungarian aides. He went to the commanding police officer in charge, talked to him, and presented official papers. Soon the officer made an announcement. He said that those who had authentic Swedish protective passports should step down from the wagon and stand in line to show their papers. Should anybody step down from the cattle cars who had no Swedish protective passport, he would be executed on the spot. The authenticity of the passports would be checked by him and by

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November 1944: here on the platform of the Józefváros train station, Budapest, Raoul Wallenberg (back toward camera, marked by an "X") negotiates with Nazi officers (left) to keep Jews from being herded into boxcars bound for the death camps.

Photograph by Thomas Veres

Wallenberg from the books of the Swedish embassy, which Mr. Wallenberg had brought with him.

"In the meantime, Mr. Wallenberg's aides pulled out a folding table from the car, opened it, placed it between the rail tracks, and put the big embassy books on top of it. The commanding Nazi police officer put his gun in front of the books. We, who were in the cattle cars, watched all this from the small barred windows of the cattle cars. The doors were opened.

"I did not know what to do because my protective passport was not authentic but forged. Suddenly I saw from the window that one of the aides was Leslie Geiger, a member of the Hungarian national hockey team, a patient of my father, and a personal friend. I decided to step down from the cattle car. It was one of the most difficult decisions of my life.

"I stood in line for an hour because I was at the end of the line. When I was close to the table, I stepped forward, went to Leslie Geiger, and whispered in his ear that my passport was forged. I asked him if he could help me. He said that he would try. When it was my turn, Leslie Geiger whispered a few words in Wallenberg's ear. Raoul Wallenberg looked at me, holding my forged passport in his hand, and said, 'I remember this doctor. I gave him his passport personally. Let's not waste our time because it's late. We need him now at the Emergency Hospital of the Swedish embassy.' The Nazi commanding officer then said, 'Let's not waste our time! Next.'"

On another occasion, according to Wallenberg driver Sandor Ardai, "we had come to a station where a train full of Jews was on the point of leaving for Germany and the death camps. The officer of the guard did not want to let us enter. Raoul Wallenberg then climbed up on the roof of the train and handed in many protective passports through the windows. The Arrow Cross men fired their guns and cried to him to go away, but he continued calmly to hand out passports to the hands which reached for them. But I believe that the men with the guns were impressed by his courage and on purpose aimed above

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him. Afterwards, he managed to get all Jews with passports out from the train."

In early November, Nyilas, as Arrow Cross goons were called, held several hundred Jews at Dohany Synagogue. Joseph Kovacs recalled that "on November 4, Wallenberg burst into the temple and stood himself in front of the altar and made this announcement: 'All those who have Swedish protective passes should stand up.' That same night a few hundred Jews were freed, and they returned to their houses under the protection of Hungarian policemen."

Dr. Jonny Moser, one of Wallenberg's assistants: "I remember when we were told . . . that 800 Jews were to be transported away. The deportations had started on foot to Mauthausen. Wallenberg caught up with them at the frontier. 'Who of you has a Swedish protective passport? Raise your hand!' he cried. On his order I ran between the columns and told the people to raise their hand, whether they had a passport or not. He then took command of all who had raised their hand, and his attitude was such that nobody of the guards opposed it, so extraordinary was the convincing force of his attitude."

The Angel of Rescue

After Regent Horthy was overthrown, Eichmann returned to Budapest, but he faced serious obstacles. Since the Red Army was advancing from the east and south, roads to the Polish death camps were blocked. The German military needed all available railroad capacity for moving war matériel. The only way out of Hungary was to Austria, so Eichmann decided Jews would walk the death march to the Austrian border 25 miles away. Between mid-November and mid-December, some 40,000 Jews were forced out of their homes or picked up on the street, then ordered to march 15 to 20 miles a day without food, in frigid weather. A quarter of them died.

According to Per Anger, a compatriot of Wallenberg, "The persecuted Jews' only hope was Wallenberg. Like a rescuing angel he often appeared at the very last moment. Just when a deportation was about to start . . . he used to arrive at the station with a written . . . permission to set free all Jews with Swedish protection passports. . . . [He] manufactured all kinds of identification and protection documents on an endless scale. Uncountable were those Jews who during the march toward Vienna had given up all hope, when suddenly they received from one of Wallenberg's 'flying squadrons' a Swedish protection document, like their ancestors once upon a time during their long journey were rescued by manna from Heaven."

Susan Tabor remembered: "My mother, my husband, and I had been two nights without food. Then we heard words, human words, the first we had heard in what seemed like an eternity. It was Raoul Wallenberg. He gave us that needed sense that we were still human beings. We had been among thousands taken to stay at a brick factory outside Budapest. We were without food, without water, without sanitation facilities. Wallenberg told us he would try and return with safety passes. He also said that he would try to get medical attention and sanitary facilities. And true to his word, soon afterward some doctors and nurses came from the Jewish hospital. But what stands out most about Raoul Wallenberg is that he came himself. He talked to us, and . . . he showed that there was a human being who cared about us."

Wallenberg bombarded the fascist Arrow Cross government with memoranda demanding an end to barbarism. At the very least, these memoranda let officials know that they were being observed and could be held accountable.

Wallenberg cultivated friends at the highest level. He even tried to influence Eichmann himself. Shortly before Christmas 1944, he invited the Nazi to dinner. "The war is over," Wallenberg told Eichmann. "Why don't you go while you still can and let the living live?" Eichmann: "I have my job to do."

Swedish diplomat Lars Berg reported that "Wallenberg fearlessly tore Nazi doctrines to shreds and predicted that Nazism and its leaders would meet a speedy and complete destruction. I must say that these were rather unusual, caustic words from a Swede who

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was far away from his country and totally at the mercy of the powerful German antagonist Eichmann and his henchmen."

Stunned by Wallenberg's bold attack, Eichmann reportedly replied: "I admit that you are right, Mr. Wallenberg. I actually never believed in Nazism as such, but it has given me power and wealth. I know this pleasant life will soon be over. My planes will no longer bring me women and wines from Paris nor any other delicacies from the Orient. My horses, my dogs, my palace here in Budapest will soon be taken over by the Russians, and I myself, an SS officer, will be shot on the spot. But for me there is no rescue any more. If I obey my orders from Berlin and exercise my power ruthlessly enough here in Budapest, I shall be able to prolong my days of grace."

Eichmann added: "I warn you . . . I shall do my very utmost to defeat you. And your Swedish diplomatic passport will not help you, if I consider it necessary to do away with you. Even a neutral diplomat might meet with accidents." Several days later, a big German truck smashed into Wallenberg's car and totaled it. Wallenberg, who wasn't inside, filed a formal complaint, and Eichmann declared: "I will try again."

The Red Army began its siege of Budapest on December 8, 1944. That day, in his last letter to his mother Wallenberg wrote, "I really thought I would be with you for Christmas . . . I hope the peace so longed for is no longer so far away."

Wallenberg's people were increasingly at risk. Tibor Vayda: "There were more than three hundred men and women at our office, which was also a Swedish protected house at 4 Üllöi Street. The Nyilas stormed in and shouted, 'Wallenberg is not here. Everybody, get out. Swedish protection means nothing. Protective passes mean nothing.' People wanted to take their luggage, but the Nyilas sneered. 'You don't need luggage because you will be dead soon.' About noon we were marched to SS headquarters. We expected to be shot after being thrown into the Danube. Somehow—and I still do not know how—a message was gotten to Wallenberg. At 2:00 in the afternoon his car roared through the courtyard. Not one of the three hundred was lost. He simply put it straight to the SS commando: 'You save these men, and I promise your safety after the Russians win the war.' "

Eichmann fled Budapest on December 23, but the crisis for the Jews got worse as Russian guns pounded the city. Nyila goons pulled children out of an International Red Cross children's home and a Jewish orphanage, and many were shot. The Institute of Forensic Medicine, Budapest, reported: "In the most brutal manner, the Nyilas made short work of their victims. A few were simply shot, but the majority were mercilessly tortured."

On January 4, 1945, the Nyilas announced their intention to dismantle the international ghetto and force inhabitants into the Central Ghetto where living conditions were the worst—and where goons could easily find large numbers of Jews. Wallenberg persuaded Ernö Vajna, brother of the interior minister and an official in the Ministry of Foreign Affairs, to suspend transfers into the Central Ghetto in exchange for some of the food which Wallenberg had stockpiled.

Wallenberg organized a new campaign to help save Jewish children. Working with the International Red Cross and the Swedish Red Cross, he provided food, shelter, and medical care for some 7,000 children.

Wallenberg's Crowning Achievement

Finally, just days before the Russians entered Budapest, Wallenberg learned that about 500 SS and Arrow Cross soldiers were preparing to murder all 70,000 people in the Central Ghetto. Wallenberg contacted German General August Schmidthuber, an SS commander, and demanded that he stop the planned massacre. Wallenberg warned that he would make sure the general got hanged as a war criminal if the bloodbath occurred. Apparently frightened at that prospect, Schmidthuber ordered the conspirators to desist. He made it clear that if necessary he would uphold the order with his own forces. This was Wallenberg's crowning achievement, a single negotiation which saved the lives of 70,000 people.

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Raoul Wallenberg at his desk in Budapest.

Photograph by Thomas Veres

"It is of the utmost importance," wrote the Hungarian author Jeno Levai, "that the Nazis and Arrow Crossmen were not able to ravage unhindered—they were compelled to see that every step they took was being watched and followed by the young Swedish diplomat. From Wallenberg they could keep no secrets. The Arrow Crossmen could not trick him. They could not operate freely. . . . Wallenberg was the 'world's observing eye,' the one who continually called the criminals to account."

Wallenberg looked forward to better times following the defeat of the Nazis. But the Russians came in the tradition of conquerors, not liberators. They considered the local population as an enemy. They seized thousands of Budapest civilians for forced labor, many never to return. Accustomed to the misery of Stalin's socialist paradise, Russian soldiers went wild robbing people everywhere. They broke into apartments—"bourgeois" janitors' apartments were especially vulnerable, since they were invariably on the first floor. Most Budapest women had horrifying stories to tell about brutal rape by Russian soldiers.

On January 13, 1945, Russian soldiers banged on the door of the cellar apartment where Wallenberg was sleeping. He showed his papers and asked to see the division's commanding officer—he hoped to discuss plans for relieving the Jewish population. Four days later, January 17, 1945, he was transferred to the KGB secret police and whisked away to Moscow's Lubyanka prison.

The Soviets were aware that Wallenberg was someone to reckon with, since thousands of documents circulated around Budapest with his signature. The Soviets considered him to be a likely adversary because of his well-known capitalist family and his education in the United States. The Soviets suspected that Wallenberg's work must be a cover—they didn't see why Christians would put their lives at risk to save Jews. He wasn't a diplomat. Why else would somebody stay in such a hellish war zone except as a spy?

Recently released CIA documents suggest that Wallenberg did, in fact, help keep Washington informed about anti-Nazi resistance forces struggling to break the alliance between Budapest and Berlin. But there can be

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no doubt such work was a by-product of his mission to save human lives.

By April 1945, Wallenberg was transferred to Leftortovo Prison, a sure sign that he was in for a long haul. An Italian diplomat claimed that he was in an adjacent cell and communicated for three years by tapping on the wall.

American and Swedish officials made a number of inquiries about Wallenberg's whereabouts, but Soviet officials denied they knew anything. The Swedish government, which was controlled by socialists who both feared and admired Stalin, didn't push him hard. Swedish officials refused to try getting Wallenberg out by trading him for the next major Soviet spy they caught.

Despite official denials that Wallenberg was in the Soviet Union, dozens of prisoners emerged from Soviet prison camps and claimed to have seen or communicated with him. By 1957, the Soviets admitted they had taken Wallenberg, but claimed he had died of a heart attack in 1947, when he would have been just 35 years old.

Wallenberg's mother, Maj von Dardel, and his half-sister Nina Lagergren and half-brother Guy von Dardel remained on the case. In early 1973, Maj von Dardel wrote U.S. Secretary of State Henry Kissinger, urging him to make inquiries. One of his assistants drafted a reply to her, but it was stamped "Rejected by Kissinger, 10.15.73" and never sent. Apparently Kissinger wouldn't take action for Wallenberg because Sweden had been critical of President Nixon's decision to bomb Cambodia.

Fortunately, plenty of people remembered Wallenberg's heroic deeds. Spurred by reports that he might still be alive, Wallenberg Committees were formed around the world during the late 1970s. The Raoul Wallenberg Committee of the United States organized an exhibition which traveled across the country. Schools, hospitals, parks, and streets were named after him. Soviet dissident Andrei Sakharov demanded that the government turn over its Wallenberg files to independent investigators. President Ronald Reagan pushed the Soviets for answers and urged Congress to pass a bill naming Wallenberg an honorary U.S. citizen; he signed it into law on October 5, 1981. A bust of Wallenberg, by the Israeli sculptor Miri Margolin, was placed in the U.S. Capitol. In 1985, NBC broadcast a two-part, four-hour miniseries, *Wallenberg: A Hero's Story*, starring Richard Chamberlain.

Despite the much-heralded political opening up of the Soviet Union, it had nothing new to report about Wallenberg. Guy von Dardel and Nina Lagergren got no new information when they visited the Soviet Union in October 1989, although they were given a few of Wallenberg's personal effects—diplomatic passport, diary, address book, cigarette case, and some foreign currency. President Reagan raised the issue with Soviet boss Mikhail Gorbachev when he visited the United States in December 1989, but again nothing. Nor has the subsequent collapse of the Soviet Union brought any solution to the mystery.

Optimism faded as the years passed without encouraging news. Observers like Abe Rosenthal of the *New York Times* believe the Soviets murdered him, and coming clean would be too embarrassing because "they were all involved." But Guy von Dardel says Russian human rights organizations continue to pursue government archives for clues.

Raoul Wallenberg long ago joined the ranks of immortals. People will continue to be inspired by his heroism, which saved so many human beings from hideous evil. Wherever this beloved man is now, he will endure as the great Angel of Rescue who redeemed hope for humanity and liberty. □

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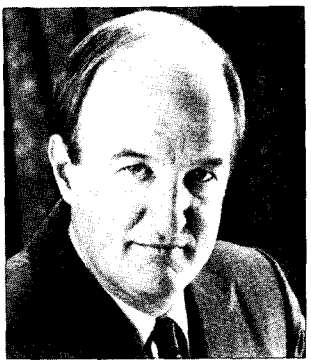

Single Policy Change—Double Economic Growth?

"Shifting to a pro-savings, pro-investment economic policy can lift the economy over the next few years to a long-term growth rate of 3% or more."

—*Business Week,* July 8, 1996

The establishment journal *Business Week* is typically pro-government and skeptical of free markets, but in the July 8, 1996, cover story, "Economic Growth: A Proposal," it shocked the world by highlighting a single change in a major social program that, they claim, could dramatically increase the U.S. economic growth rate: Convert Social Security to a fully funded pension plan, complete with individual savings accounts. "Privatizing Social Security would boost national savings and increase U.S. plant and equipment by 25 percent by 2020. The massive flow of funds into the equity markets would substantially reduce the cost of capital and encourage investment." *Business Week*'s endorsement of privatized Social Security follows *Time* magazine's cover story on March 20, 1995, entitled "The Case for Killing Social Security." The article wrote favorably about the Chilean model, which privatized its own Social Security program in 1981.

Dr. Skousen is an economist at Rollins College, Department of Economics, Winter Park, Florida 32789, and editor of Forecasts & Strategies, *one of the largest investment newsletters in the country. The third edition of his book* Economics of a Pure Gold Standard *has just been published by FEE.*

The Social Security Fraud

Free-market economists have been highly critical of national social insurance ever since the Social Security Act of 1935 was signed into law. Milton Friedman wrote in the early 1960s that Social Security is "without justification"; he was partly responsible, through his Chicago students, for creating the Chilean model.[1] Twenty-five years ago, New York attorney Abraham Ellis dissected the pay-as-you-go system as "conceptually flawed" and an offshoot of "the something-for-nothing philosophy, the free lunch syndrome."[2]

The continuing crisis of Social Security—growing deficits, higher taxes, poor payouts—has led many policy-makers to seek fundamental reforms. The reforms instituted by the 1983 Commission on Social Security, led, ironically, by Alan Greenspan, are no longer viable. (Oddly enough, Greenspan refused even to consider privatization as an option!) Privatization has grown in popularity as the Chilean private alternative has proven so successful, especially for low-income workers. (See my column, "$4,000 from Social Security?", *The Freeman*, June 1995.) Private worker pensions are particularly popular in Latin America—Peru, Bolivia, and, most recently, Mexico—as well as Great Britain.

Right now, Social Security is a drag on America's economy. It funnels workers' savings into consumption—in the form of transfer payments to retirees or into a trust fund which is invested entirely in Treasury securities (thus funding the deficit and government

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spending). Imagine what the result would be if everyone's FICA taxes were invested in a true retirement program, into the capital markets instead of consumption? It could turbocharge the U.S. economy, just as it has done in Chile, where the economic growth rate is more than double the U.S. rate. The Cato Institute, a free-market think-tank in Washington, D.C., has been in the forefront of advocating radical reform of Social Security. It has released numerous reports written by pension experts, including Peter Ferrara, William J. Shipman, and José Piñera, the official responsible for establishing Chile's privatized pension system. Recently, Cato issued a study showing that low-wage workers would gain the most from privatized Social Security. The poor, who rely almost exclusively on Social Security for retirement income, would earn "as much as three times the income available under the current system."[3] According to a Cato Institute poll, two-thirds of American voters, and more than three-quarters of young voters, support privatization.

What's truly amazing is there is wide-ranging support for this kind of positive reform—from the libertarian Cato Institute to the establishment World Bank, from Republican Steve Forbes to Democrat Sam Beard, author of *Restoring Hope in America, The Social Security Solution* (ICS Press, 1996), which claims that with privatization, the middle class could retire as millionaires. MIT Professor Rudi Dornbusch, no friend of supply-side economics, recently endorsed privatizing Social Security and education as two key sources of growth. "The resulting capital formation will support rising real wages and therefore offer a long-term answer to the eroding standard of living."[4]

Ideas have consequences! □

1. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago, 1962), p. 182.
2. Abraham Ellis, *The Social Security Fraud*, 2nd ed. (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1996), pp. 105, 201.
3. Michael Tanner, "Privatizing Social Security: A Big Boost for the Poor," Cato Institute, July 26, 1996.
4. Rudi Dornbusch, "Dole Blew a Chance to Be Bold," *Business Week*, September 2, 1996.

HAD ENOUGH?

Had enough of the liberal bias in the popular news media? Had enough of "donating" an increasing amount of what you earn to support inefficient, bloated social programs? Had enough of watching our culture degenerate before your eyes? Do you feel like a stranger in an increasingly strange land?

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BOOKS

The Return of Thrift: How the Collapse of the Middle Class Welfare State Will Reawaken Values in America

by Phillip Longman

Free Press • 1996 • 241 pages • $25.00

Reviewed by Chris Weinkopf

The notion that welfare dependency breeds bad habits, and that the end of welfare will restore good ones, is sound, but unoriginal. What distinguishes Phillip Longman's rendition of this conservative staple from previous takes is that he applies it not to the underclass, but to the American middle class, which, he reports, is every bit as dependent on sundry benefits as welfare mothers are on food stamps and AFDC. Middle-class entitlements, he argues, will soon bankrupt the federal government, as they already have bankrupted the bourgeois ethic of hard work and thrift.

Longman painstakingly documents the insolvency that awaits Social Security, Medicare, military-retirement and veterans' benefits, federal pensions, and myriad lesser-known others. The big lie behind these programs is that they have been paid for, in advance, by regular deductions from their beneficiaries' paychecks. Historically, however, federal-entitlement recipients have collected far more than they have put in, leaving the financial burden to future generations. The debt cycle cannot exist in perpetuity, and the baby boomers' imminent retirement is sure to break the bank. When that happens, Longman claims, the middle class will have to give up welfare—and all the excesses it permits—cold turkey.

This is good news. But advocates of limited government are sorely mistaken if they think Mr. Longman is an ally. *The Return to Thrift* offers no principled opposition to wealth transfers per se; Longman merely resents that they are administered inefficiently and benefit mostly members of the middle class. He is in favor of redistributing of wealth as long as it goes to the "needy." A "reason to expect higher taxes in the next century," which he gladly accepts, is that "as the size of the American underclass continues to grow . . . the cost of social programs targeted toward the poor no doubt will escalate dramatically." He never thinks to extend his argument—that the end of welfare will restore self-reliance to the middle class—to the lower rungs of the economic ladder.

Longman's prescription for "thrift" is compulsory savings, deducted automatically from paychecks on a fixed, progressive scale. He never considers that the government could reduce its debt or spur individual savings by cutting taxes. Instead, he calls for tax *hikes* by urging that Congress eliminate "loopholes" in the tax code, such as deductions for mortgage payments and medical insurance, without proposing other reductions to take their place.

When discussing Medicare reform, Longman favors rationing (he laments that new technology is keeping seniors alive longer than ever before), without even mentioning medical savings accounts, let alone outright privatization. *The Return of Thrift* is a hard-bound oxymoron, its first twelve chapters chronicling the inherent liabilities of government planning, its final two demanding more. Longman is prescient, however, when he warns that like narcotics, big government can be so addictive that junkies will defy common sense, at their own peril, to get a fix. He'll have ample time to meditate over the theory in rehab. □

Mr. Weinkopf is an editorial associate at National Review.

Creating the Commonwealth: The Economic Culture of Puritan New England

by Stephen Innes

W. W. Norton & Company • 1995 • 405 pages • $25.00

Reviewed by Russell Shannon

Some 90 years have now passed since the German sociologist Max Weber published his famous study *The Protestant Ethic and the Spirit of Capitalism.* In it Weber argued that the areas of the Western world inhabited by people whose religious beliefs caused them to consider ordinary work—not just seclusion in a monastery or a career as a priest—to be a *calling* were those in which economic development was most rapid. Much ink has been spilled on this issue in the interim, including most recently Michael Novak's *The Catholic Ethic and the Spirit of Capitalism,* in which the author suggests that entrepreneurial endeavors promoted by the Roman church also contribute significantly to extraordinary economic performance.

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Now Stephen Innes, an historian at the University of Virginia, has entered the fray with a detailed and distinguished description of the Puritan settlement in Massachusetts during the seventeenth century. In his book, called *Creating the Commonwealth*, Innes shows how the New Englanders, who settled a relatively inhospitable land with no obvious "cash" crop such as tobacco, achieved a rate of economic growth that could only be called stunning.

Certainly, attitudes such as the work ethic were a crucial ingredient of the story. But so too were political institutions. Here, where labor was scarce, the regulatory crust of European mercantilism tended to crumble. Gone were the guilds whose rigid rules on apprenticeship and product quality hampered competition and diminished consumer options. Missing also was the notion of monopoly rights, which stifled much initiative back in England; in Massachusetts, it evolved into something akin to our modern idea of patents, which meant that monopoly powers were limited both in scope and duration.

Vigorous development of the fishing, ironworks, shipping, and timber industries, all essentially interrelated, laid a vital groundwork for rapid economic development. Innes suggests that our modern concept of "synergy" is applicable here, for each of these industries helped promote the development of the others, the whole exceeding the sum of its parts.

Yet, as Innes stresses, the capitalism of this era was not individual but communal. Development of the ironworks and shipbuilding industries was deliberately fostered by both the Massachusetts General Court (the governing body) and individual communities, which provided free land, tax exemptions, and exclusive rights to individuals and groups willing to invest in establishing factories—much as our states today seek to attract industries by offering tax advantages and other benefits. Sales of materials such as timber were likewise sometimes limited so as to encourage shipbuilding, which settlers believed would offer their community more long-run benefits than would accrue if the wood were used for more transitory purposes.

Of course, there was vastly more individual freedom than the settlers had enjoyed in their homeland, but the Protestant ethic also imposed a social discipline provided by community constraints which curbed what Innes sees as the myopic tendencies of short-run profit-seeking.

Expressed another way, Innes finds much evidence of civic engagement. He does not propose that our federal government should emulate this system, for in his account these are all local arrangements which tapped the energies and the far-sighted wisdom of local residents. It should also be remembered that modern institutions such as stock markets had not yet emerged. Nor were the settlers' efforts always an unmitigated success: while they favored cattle raising over growing crops to economize on the use of scarce labor, the large expanses needed for grazing cattle forced the settlers to become more dispersed, thereby diluting the sense of community. And the technical difficulties involved in operating the early iron works forced the colonists to attract from Britain men and women who were highly skilled at their tasks but who were also given to "armed robbery, rape, arson, assault, battery, lewdness, profanity, and chronic drunkenness"—all distinctly non-Puritanical behavior.

Yet, by not resorting to slavery, as the plantation economies to the South had sadly done, the New England Puritans escaped the implied notion that hard work is degrading. On these principles of hard work, community concern, investment in the development of strategic productive facilities, and reduced regulation, the New England colonies set a standard for economic, social, and political development which was not only remarkable for its time but which has seldom been matched. □

Dr. Shannon is professor of economics at Clemson University.

The Road Ahead

by Bill Gates

Viking • 1995 • 286 pages • $29.95

Reviewed by Raymond J. Keating

An odd breed of business executive regularly appears on the public-policy landscape—the supporter of big government in business.

Big government boosters favor not only corporate welfare initiatives, but a host of other interventions, including research and development, education, pork-barrel subsidies, and even expanded social welfare programs. Interestingly, many—but not all—of these statist business executives tend to serve in large companies. Many were never entrepreneurs, but instead dutiful managers who worked their way up through the ranks of large businesses. Their experiences, in some ways, more closely reflect the careers of bureaucrats rather than economic risk-takers.

Readers of *The Road Ahead* fortunately will find an author that is an entrepreneur, not a corporate bureaucrat. Indeed, Bill Gates stands as one of the

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most successful entrepreneurs of the late twentieth century. (An entrepreneur, we find out, who raised some of his seed capital through poker winnings in college.)

Gates's book is a highly readable, informative, and non-technical installment in a long line of recent volumes regarding computers, telecommunications, and the future of technology.

From the outset, Gates exhibits a clear preference for private economic actions over government. He dislikes the metaphor of the "information superhighway" to describe the unfolding developments in the information economy. He worries about the implication that a "highway" should be built by government, an option Gates considers "a major mistake."

Gates also recognizes that emphasis on information infrastructure and government could turn the highway into a costly white elephant. In contrast, markets emphasize "applications." Indeed, Gates prefers the phrase "the ultimate market."

Gates argues persuasively that government also should not get involved in trying to set some kind of compatibility standards for the emerging information market. Gates observes that de facto standards "are supported by the marketplace rather than by law, they are chosen for the right reasons and replaced when something truly better shows up—the way the compact disc has almost replaced the vinyl record." Later, Gates sagaciously declares: "The range of uncertainties about the information highway is very large, but the marketplace will design an appropriate system."

Being involved firsthand, Gates naturally is an optimist regarding the revolution in information technology—a nice antidote to today's many neo-Luddite economic and social prognosticators. Gates writes favorably of the mix between free markets and information technology advancements: "Capitalism, demonstrably the greatest of the constructed economic systems, has in the past decade clearly proved its advantages over the alternative systems. The information highway will magnify those advantages. . . . Adam Smith would be pleased. More important, consumers everywhere will enjoy the benefits."

In the end, entrepreneurs lie at the center of the capitalist economy as the sources of creativity, innovation, and invention. Gates correctly notes: "Entrepreneurship will play a major role in shaping the development of the information highway, the same way it shaped the personal-computer business." And he grasps the full benefits of entrepreneurship as well: "The good news is that people learn from both the successes and the failures, and the net result is rapid progress."

As for government, Gates offers sound advice: "deregulate communications." □

Mr. Keating serves as chief economist with the Small Business Survival Foundation.

Private Means, Public Ends: Voluntarism vs. Coercion

Edited by J. Wilson Mixon, Jr.

The Foundation for Economic Education • 1996 • 150 pages • $14.95 paperback

Reviewed by Fred Foldvary

Do you have friends who are socialists? Show them Robert Zimmerman's chapter, "New York's War Against the Vans" in *Private Means, Public Ends*. Zimmerman shows private enterprise efficiently providing much-needed transportation, while the city transit police block passenger pickup, issue summonses, and otherwise harass van operators and passengers. If government is needed to provide such public goods, why does government keep blocking private services?

The essays in *Private Means, Public Ends* demonstrate how private efforts have effectively provided public goods. This collection of mostly recent articles reprinted from *The Freeman* will challenge those who doubt the workability of free markets and buttress the thinking of those already oriented to liberty with excellent examples. Case after case, nicely combining stories with analysis, shows voluntary and market means as more effective than government, despite state barriers and imposed costs.

The introduction by Professor Mixon begins with the metaphor of free human action as a wildflower field, in contrast to the potted plants of state institutions. If wildflowers disappear and all we see are flowers in pots, who can imagine the breathtaking beauty of the wild field—nature's spontaneous order?

Henry Hazlitt's classic critique of central planning provides a cogent starting point. Why do good folks oppose peaceful and honest voluntary exchange? They believe that free markets produce too many wrong goods and not enough right goods. Hazlitt points out that the private sector is voluntary, and the government's "public" sector is coercive. The subsequent essays demonstrate that the voluntary sector does indeed provide for those "right" goods the public wants.

The next section of the book deals with language, art, and communication. John Finneran's

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"Tale of Two Dictionaries" contrasts the French Academy's clumsy committee-produced dictionary with the elegant English dictionary created by the individual genius of Samuel Johnson. Johnson's motivation due to private financing sped the work along while yet allowing scope for his personal creativity.

One of the "right" goods allegedly required of government is promotion of the arts. But what kind of "good" is that "twisted, rusted iron pipe" that William Allen and William Dickneider depict in "Art and Representative Government"? They note that privately financed art has long flourished without government subsidies. Art can be useful, as Barbara Dodsworth informs us in "Art and Commerce." Historically, art has always been commercial and applied, with much "fine art" produced under sponsor direction.

But what about bad "art," such as billboards? Lawrence Person's "In Praise of Billboards" notes the useful information signs provide. If ugliness is to be banned, it not only violates property rights, but, taken to its logical conclusion, would lead to banning ugly cars—or people! The author notes also that the First Amendment does not distinguish between commercial and personal speech.

Government police power has extended even into the kosher food market, as Jacob Sullum describes in "Kosher Cops." He notes that the conditions that invite fraud have led to a private system of consumer protection by religious authorities. God has help enough.

This section is rounded out with chapters by Ray Keating and Clint Bolick on communications. Keating notes that the convergence of various media reduces the rationale for regulation. Bolick shows how free speech fostered communications technology.

Section III, on a "caring society," gives examples of how health, education, and welfare are promoted without coercion. Hannah Lapp describes her personal experience with home schooling, which government officials tried to stifle despite its effectiveness.

Scott Payne's "School with a Money-Back Guarantee" is an eye-opener. It describes HOPE Academy in Lansing, Michigan, inspired by Marva Collins's school in Chicago. If the kindergartner can't read by year's end, HOPE parents get their money back. The Academy uses phonics for reading and emphasizes proper conduct, and the cost is much less than what government spends.

What about the poor? John Fargo spins a yarn in "Charity in the Land of Individualism" of how the "rugged individuals" of the corn belt went all out to help a fellow farmer, even a rather shiftless one, demonstrating how "true charity lies deep within the fertile soil of authentic individualism."

Daniel Bazikian, reviewing *The Tragedy of American Compassion* by Marvin Olasky, shows how earlier American charity, influenced by biblical themes, strengthened affiliations, bonded donor and recipient, distinguished among needs, discerned fraud, employed for responsibility, and fulfilled spiritual needs. Contrast this with today's "give me" welfare mentality! Gerald Wisz in "Ending Welfare as They Knew It" describes how the Broadway Presbyterian Church in New York City teaches responsibility.

The proposition that only government can provide a social safety net is refuted by John Chodes's chapter on the "friendly societies," which pooled members' savings to provide health care and insurance for unemployment and old age. David Beito's chapter shows how fraternal societies hired "lodge doctors" at affordable rates, a practice killed by the medical establishment.

Section IV examines the "bases of a dynamic economy." Richard Sylla recalls the era of private, unregulated bankers in the United States, while Richard Timberlake writes on the private money that was used in coal-mining communities. Even policing can be adequately provided privately, as shown by Nicholas Elliott.

Markets have also provided transportation, as illustrated by William Irvine on trains and Daniel Klein on the private turnpikes and plank roads built in nineteenth-century America, later usurped by government. New York City's subways operated privately until 1940; is it surprising that with government operation, service deteriorated while charges went up? Henry Hazlitt called this "Socialism, U.S. Style."

Environmentalists often misunderstand how markets protect wildlife and habitat, so John Kell's refreshing essay shows how environmentalists who voluntarily compensate ranchers who lose animals to wild predators are indeed "A Species Worth Preserving."

The epilogue of the book is freedom as the *sine qua non,* the indispensable requirement. Ross Korves asks "What Makes a Market?" A market is voluntary exchange, and "markets develop spontaneously as people interact." This anthology shows how the freedom to act does indeed, in practice, provide for our social wants, if only we have the liberty to do so. □

Dr. Foldvary is the author of Public Goods and Private Communities: The Market Provision of Social Services *(Edward Elgar, 1994).*

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Learn to Earn

by Peter Lynch and John Rothchild

Fireside • 1995 • 272 pages • $13.00

Reviewed by Philip R. Murray

If anyone doesn't know U.S. economic history or how exciting business can be, wait until this book makes its mark. Although Peter Lynch and John Rothchild direct this book to a young audience, older readers will also find several worthwhile lessons to learn in economics and business.

It starts with "A Short History of Capitalism." Don't be misled by the title. Lynch and Rothchild devote 70 pages to the subject. Economic historians will respect their interpretation, which emphasizes individuals. We learn that the colonists at Jamestown and Plymouth abandoned communism for private property. The authors paraphrase Adam Smith as follows: "... when each person pursues his own line of work, the general population is far better off than it is when a king or a central planner runs the show and decides who gets what."

This tale of U.S. capitalism features inventors, immigrants, and the companies rooted in our past and still alive today. Free-market economists will quarrel with the authors' assertion that: "Another factor that may have contributed to the national prosperity is that our borders were effectively closed to many foreign-made goods by prohibitive tariffs." But elsewhere the authors sound like students of Ludwig von Mises: "with more efficient machinery, the workers' time became more valuable, not less, and the factories could afford to raise the workers' wages." Concerning the Great Depression, the authors cite government mismanagement of the money supply as the cause, but not the Smoot-Hawley Tariff Act.

Lynch and Rothchild are pro-saving and investment, as they make clear in the introduction: "Investors are the first link in the capitalist chain." Their advice is: "Save as much as you can! You'll be helping yourself and helping the country." Take this to mean that we may safely ignore John Maynard Keynes and his followers who reason that consumption spending leads to economic growth and worry that saving will not become investment. In fact, discussion of Keynes is conspicuously absent from this book.

In the chapter on "The Basics of Investing" the reader will learn, among other things, that cash investments fail to keep pace with inflation, that a house is a smart purchase, and that stocks outperform bonds. Of course, Lynch and Rothchild prefer stocks and encourage the reader to use what he knows to pick his own stocks. The beginner will encounter stock market basics such as dividend yield, P/E ratio, and the important role of profit. The authors do their part for economic education by recommending *The Wealth of Nations* and explaining such statements as: "Capitalism is not a zero-sum game."

Their discussion of the business cycle endorses an environment of low taxes and minimum regulations but is marred by the view that government has the responsibility to stabilize the economy. They do, however, note that government deficit-spending is crowding out private investment.

Lynch and Rothchild do a superb job of making entrepreneurs into heroes. They give a bullish description of contemporary American business and address the public concern over layoffs. Of 25 large companies they select, such as Exxon and General Electric, layoffs amounted to 400,000 from 1985 to 1995. However, the 25 small companies in their sample, such as Microsoft and Toys R Us, created over 1,000,000 jobs during the same period. This phenomenon of big companies downsizing to survive while small companies add jobs to grow is an excellent example of what Joseph Schumpeter dubbed "creative destruction."

Try *Learn to Earn* for a solid introduction to the workings of the market economy and business. □

Philip Murray is an associate professor of economics at Webber College in Babson Park, Florida.

Global Bondage

by Cliff Kincaid

Huntington House Publishers • 1995 • 208 pages • $10.99

Reviewed by Laurence M. Vance

If you think that U.S. income taxes are too high, the tax code too complex, and IRS methods too harsh, then think again. How would you like to pay a global tax collected by faceless bureaucrats at the United Nations?

Global Bondage, by journalist Cliff Kincaid, who regularly contributes to the conservative weekly *Human Events,* is a fully documented introductory study of the globalist ambitions of the United Nations that will appeal to conservatives and libertarians who don't subscribe to conspiracy theories.

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Although the U.N. did not exist until 1945, its roots go back to the end of World War I. In a speech before Congress on February 11, 1918, President Woodrow Wilson declared: "What we are striving for is a new international order." Wilson's "new international order," however, was never established, for the U.S. Senate rejected Wilson's League of Nations on March 19, 1920. It took another war for Wilson's "new international order" to come to fruition. Now, with the 50th anniversary of the U.N. and the continued utilization of its "peacekeeping forces," the U.N. is once again being examined and exposed as what Kincaid calls "a horribly mismanaged bureaucracy with tremendous waste, fraud, and abuse."

In six chapters, Kincaid lays out the case against the U.N.'s support of terrorists and communists, government-mandated universal health coverage, forced abortion and sterilization under the guise of "population control," gross mismanagement of funds, and massive corruption.

Those who on principle oppose the twin evils of foreign aid and foreign interventionism should be especially alarmed at the continued U.S. funding of the organization. The U.S. taxpayer support of the U.N. and its member states is foreign aid at its worst, for many of the nations we lavish subsidies on regularly vote against us in the U.N. According to Kincaid, member nations vote "in favor of U.S. positions only 17 percent of the time." The United States also contributes billions of dollars every year to fund the various U.N. operations. Global intervention in the affairs of other countries by the United States is bad enough, but supplying troops for U.N. "peacekeeping" and subordinating American troops to foreign command is even worse. Kincaid cites figures from the General Accounting Office showing that "U.N. peacekeeping cost the United States more than $10 billion from fiscal year 1992 to fiscal year 1995."

Although, as Kincaid points out, "most U.N. opponents are dismissed as members of the John Birch Society," recent developments have confirmed claims he makes in *Global Bondage.* In order to have a world government, the U.N. must have a continuous source of revenue like any government. Thus, early in 1996, U.N. Secretary General Boutros Boutros-Ghali called for a "light international tax" to finance the U.N.

The globalist goals of the U.N. should be a cause for alarm to any defender of liberty and limited government. Quoting the late Murray Rothbard, Kincaid makes the case that U.N. activities amount to "international government despotism to be exercised by faceless and arrogant bureaucrats accountable to no one." But as Kincaid further points out, "international government despotism" by the U.N. is "more insidious and dangerous" than the U.S. variety because it is "further beyond the ability of most Americans to do anything about."

Although Kincaid recognizes that the U.N.'s concept of free trade "involves giving international bureaucracies the power to manage trade relations between states," he neglects to make a case for real free trade. And aside from some remarks about the evils of "predatory trade partners such as Japan," and his puzzling statement that the "legalization of drugs would entail a massive expansion of government power," Kincaid is to be commended for his documented exposure of U.N. activities that are not only deleterious to the United States but financed by it as well. □

Mr. Vance is an instructor at Pensacola Bible Institute and a free-lance writer living in Pensacola, Florida.

Command Science and the War on AIDS
Inventing the AIDS Virus

by Peter H. Duesberg

Regnery • 1996 • 649 pages • $29.95

Reviewed by Neil DeRosa

When I first heard about Peter Duesberg a few years ago, I was only half skeptical. This professor of molecular and cell biology at Berkeley was claiming that AIDS is not caused by HIV, is not even contagious, that long-term use of "recreational drugs" is the real cause of AIDS, and moreover that AZT, the "antiviral" medication most often prescribed to treat AIDS is instead hastening the death of AIDS patients. Duesberg has been making these claims since 1987. Now his long-awaited book is out.

AIDS was first reported in the news in the early 1980s as a kind of "Andromeda strain," a deadly new virus that could wipe out mankind. The reporting hasn't changed much since then. In spite of dire predictions, the disease still has not broken out of its "risk groups" and spread to the general population. But for those afflicted there is no cure, no vaccine, no ability to predict its course. And in spite of billions of tax dollars spent, the best treatment for it kills instead of saving lives. Nobody is saying why. Nobody but Duesberg, and a very few others. The present book is dynamite.

The facts are all here, beginning with a history of the "microbe hunters" who, by following the

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lead of Koch and Pasteur, conquered most of the infectious diseases known to man. But they also spent years, at a cost of thousands of lives, trying to blame microbes for the diseases of malnutrition. More recently in Japan, there was the SMON epidemic in which evidence that an anti-diarrhea drug was causing a polio-like disease, was silenced for over ten years by government-sponsored "virus hunters." Then, in America, there was the medical empire-building and dismal failure dubbed the "War on Cancer," in which many of the current AIDS players "made their bones," and during which the virus hunters developed some of their most dubious theories—such as the "slow virus" hypothesis.

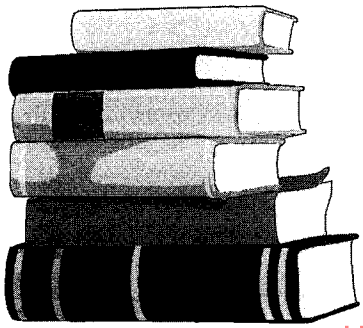
Duesberg next provides ample evidence to support his contentions. Chapters crammed with facts answer the questions some of us had. What's behind Magic Johnson's "miraculous" comeback? What killed Arthur Ashe, Kimberly Bergalis, and Allison Gertz—was it AIDS or AZT? But more importantly, he scientifically challenges the assumptions of the HIV hypothesis and finds its predictive ability to be inferior to that of his drug hypothesis. Also interesting are the thousands of recorded cases of *HIV-negative* AIDS at the CDC (Centers for Disease Control) renamed ICL.

Anyone who has followed this controversy—and anyone who reads this book—will see what's going on. Namely, a power grab and the politicization of medicine. The goal? Command science.

On the one side: the vast multi-billion dollar tax-supported, "peer (read insider) reviewed," medical establishment, including the NIH and the CDC; drug companies, activists, and scientists with conflicts of interest, lobbyists in Congress, and royalties on patents for failed medications; insider control of grant monies for research, and of which drugs get approved; and even censorship and control over publication in professional journals.

On the other side? One man stands alone. Duesberg. For that, he deserves credit—and our gratitude. □

Mr. DeRosa is a freelance writer from Poughkeepsie, New York.



The Failure of America's Foreign Wars

Edited by Richard M. Ebeling and Jacob G. Hornberger

Future of Freedom Foundation • 1996 • 380 pages • $24.95 cloth; $17.95 paperback

Reviewed by Hans-Hermann Hoppe

History is invariably written by its victors. Because the twentieth century is uniquely the American century, with the United States emerging victorious from both world wars and ultimately rising to the rank of the world's only military superpower, official twentieth-century world history today is above all history as seen from the perspective of the U.S. government and its intellectual bodyguards. Thus, it is in particular U.S. foreign policy, and especially the policies of Woodrow Wilson and Franklin D. Roosevelt and of U.S. allies such as Churchill and Stalin, which come under closer scrutiny and are subject to critical re-evaluation and revision in *The Failure of America's Foreign Wars*.

The articles in this book survey critical episodes in U.S. foreign policy over the last hundred years, beginning with the Spanish-American War, centering on World War I and World War II, and continuing to the Panama Invasion and the Gulf War. The editors wish to illustrate the thesis that the replacement of the "isolationist" U.S. foreign policy by a globalist-interventionist foreign policy has been an utter failure. As a result of the great moral crusade "to make the world safe for democracy," the twentieth century has been one of the most murderous centuries in all of history and the century *par excellence* of socialism: of communism, fascism, national socialism, and social democracy.

Several times in the book the question is raised: what would have happened if Wilson, in accordance with America's isolationist foreign policy tradition and his own election campaign promise, had kept the United States out of World War I? By virtue of its counterfactual nature, the answer to a question such as this can never be empirically confirmed or falsified. This does not make the question meaningless or the answer arbitrary, however. To the contrary. Based on an understanding of the actual historical events and personalities involved, the question concerning the most likely alternative course of history can be answered in detail and with considerable confidence.

If the United States had followed a strict non-interventionist foreign policy, the intra-European conflict likely would have ended in late 1916 or

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early 1917 instead of late 1918. Moreover, it would have been concluded with a mutually acceptable (face-saving) compromise peace rather than the one-sided terms actually dictated. Consequently, Austria-Hungary, Germany, and Russia would have remained traditional monarchies instead of being turned into short-lived democratic republics. With a Russian Czar and a German and Austrian Kaiser in place, it would have been practically impossible for the Bolsheviks to seize power in Russia, and in reaction to a growing communist threat in Western Europe, for the fascists and the national Socialists to come to power in Italy and Germany. The victims of communism, national socialism, and World War II—some 100 million European lives—would have been saved. The extent of government interference with and control of the private economy in the United States and Western Europe would have never reached the heights seen today. And rather than Eastern Europe (and consequently half of the globe) falling into communist hands and for more than 40 years being plundered, devastated, and forcibly insulated from Western markets, all of Europe (and the entire globe) would have remained integrated economically (as in the nineteenth century) in a world-wide system of division of labor and cooperation. Accordingly world living standards would have grown immensely higher than they actually did. In helping its reader recognize this "realistically possible" alternative course of history, *The Failure of America's Foreign Wars* contains a sharp moral condemnation of twentieth-century U.S. foreign policy and a vigorous plea for a return to a non-interventionist-isolationist foreign policy.

While the facts and the conclusions reached are largely correct and reasonable, the book is not without shortcomings. Even a professed "revisionist" such as Ebeling cannot free himself entirely from orthodox-leftist historical myths when he appears to liken and classify as on a par the "evils" of Stalin and Hitler and the socio-economic character of Soviet Russia and Nazi Germany. From 1929 to 1939, *in peace time*, Stalin and the Bolsheviks killed about 20 million Soviet citizens, for no predictable reason. Hitler and the National Socialists ruined the businesses and careers of hundreds of thousands of German citizens, but the number of people killed by them before the outbreak of the war was only a few hundred, most of them fellow Nazis and all of them for a predictable reason. Even immediately after the onset of the war, when it became known that the Nazis had begun to engage in "mercy killings" of the incurably insane (euthanasia), the Catholic bishops, led by Bernhard von Galen, openly protested, and German public opinion compelled the Nazis to halt the program. Bishop (later: Cardinal) von Galen survived the Nazi regime. Under Stalin and the Bolsheviks, any such opposition was impossible and Bishop von Galen would have been quickly disposed of. Also irritating is Hornberger's inclination toward psychobabble, according to which Hitler and national socialism are somehow the outgrowth of parent alcoholism and child abuse.

More serious is a structural defect. In collecting in their book almost exclusively articles previously published in the *Freedom Daily*, and mostly (29 of 47) written by themselves, Ebeling and Hornberger missed the opportunity of assembling a far superior product. The quality of the articles is rather uneven, and there is quite a bit of repetitiveness. Many articles qualify as hardly more than journalistic exercises; and with only two professional historians (Ralph Raico and Robert Higgs) among the authors, the book has a somewhat amateurish flavor. Despite these shortcomings, however, the book contains a vitally important message and makes for genuinely refreshing reading. The two marvelously insightful articles contributed by Ralph Raico alone—on "The Case for an America First Foreign Policy" and "The Turning Point in American Foreign Policy"—are well worth the price of admission. □

Dr. Hoppe is professor of economics at the University of Nevada, Las Vegas, senior fellow of the Ludwig von Mises Institute, and co-editor of the Review of Austrian Economics *and the* Journal of Libertarian Studies.

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